FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,047 Thursday October 2 1986 D 8523 B

Major changes for West German industry, Page 18

World news

Nuclear deal is Moscow's target

Moscow wants next week's meeting in Iceland between Mikhail Gorbachev and President Ronald Reagan to focus primarily on the limitation of nuclear weapons.

Other issues, including the future of 25 Soviet UN diplomats ordered to leave the US, will also be discussed, however.

The Soviet Foreign Ministry spokesman said Moscow sees the Reykjavik meeting on October 11 and 12 as one allowing the two leaders to give clear directions to their negotiators to conclude two or three drafts on the limitation of nuclear weapons. Reagan's political bonus, Page 4

Chirac warning

French Prime Minister Jacques Chirac said France would retaliate "without pity" if it identified any country behind the recent Paris bombings but added that there was no evidence implicating Syria.

Sudan flight delayed

Unexplained last-minute snags grounded a relief flight to starving people in southern Sudan but it is expected to take off from Khartoum "within 24 hours".

Aquino rejects plea

President Corazon Aquino of the Philippines flatly rejected a left-wing demand for the release of the captured leader of the country's Communist Party, Rodolfo Salas, dashing hopes that ceasefire talks with communist rebels can be revived. Page 6

Nigerian leader ill

A parade to mark Nigerian independence day was cut short in the partially built future capital of Abuja when President Ibrahim Babangida, 45, left suddenly because he was feeling unwell.

French captive free

French television cameraman Jean-Marc Sroussi, kidnapped in Beirut on Sunday, escaped from his captors in heavy rain.

Lange security lapse

New Zealand Prime Minister David Lange ordered an inquiry into how a police folder containing details of his personal security arrangements was found lying in a Wellington street. Fairer tax, Page 6

American expelled

US journalist John Berthelsen left Malaysia for Singapore after the High Court rejected his appeal against an expulsion order made for "security reasons". Editorial comment, Page 18

Pakistan retaliates

British nationals visiting Pakistan from the start of next year will require a prior visa. Islamabad said the decision was taken because Britain had imposed a similar requirement on Pakistanis.

Libyans accused

The crew of a Norwegian freighter detained by Libya in 1984 were subjected to systematic torture by their guards, a psychiatrist said in his report on their ordeal.

Lord Kaldor dies

Lord Kaldor, economic adviser to British Labour governments of the 1960s and 1970s and one of the most inventive economists of his generation, died in England, aged 78. Obituary, Page 8

Kiss of death

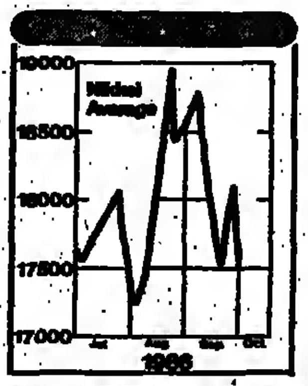
A Chinese bride died on her wedding day from heart palpitations caused by the "passion, intensity and length" of a kiss she received from her new husband, a newspaper in north-east China reported.

Business summary

British Gas gives sell-off details

BRITISH Gas flotation by early December is to allow a guaranteed minimum allocation of £250 ($360) worth of shares available for each customer "household" in Britain. Page 20

WALL STREET: The Dow Jones industrial average closed up 15.22 at 1,782.90. Page 42



TOKYO: Late selling by securities companies took share prices sharply lower. The Nikkei average lost 288.47 to 17,564.29. Page 42

LONDON was heartened by the strong start on Wall Street although much of the strength came from a narrow band of industrials. The FT-SE 100 index closed 22.5 higher at 1,578.3 and the FT Ordinary share index rose 24.7 to 1,251.7. Page 42

STERLING closed in New York at $1.4480. It lost a little ground in nervous trading, falling 0.1 on the Bank of England's trade-weighted index to 68.9. In London it ended at DM 2.92 (DM 2.9225), $1.4450 ($1.4470), Y222.75 (Y223.25), SFr 2.37 (SFr 2.3825) and FFr 9.5650 (FFr 9.6125). Page 35

GOLD fell $¾ to finish in London at $423. In New York the Comex December settlement was $422.20. Page 34

DOLLAR fell to DM 2.0215 (DM 2.0270), Y154.15 (Y154.35), SFr 1.6410 (SFr 1.6460), and FFr 6.62 (FFr 6.6425). Page 35

SWITZERLAND's three leading stock exchanges are next Monday to introduce continuous trading for a number of major Swiss equities. Page 24

BOUYGUES, leading French construction group, has acquired a 10 per cent stake in Spie-Batignolles, the rival civil engineering concern controlled by the French Schneider conglomerate, in a further attempt to expand its operations. Page 21

GUINNESS Peat Group, UK financial services company, is expanding its presence in the US market by buying Forstmann-Leff Associates, a privately owned New York investment advisory company in a deal worth about £100m ($144m). Page 21

MONTEDISON: Mario Schimberni, chairman of Italy's Montedison group, faces a new offensive organised by Enrico Cuccia of the powerful Mediobanca merchant bank against his purchase of a large shareholding in a Florence-based insurer. Page 21

PRATT Hotel, Dallas-based hotel and casino operator, has withdrawn its $110m bid for Resorts International, owner of extensive casino and land interests in Atlantic City and the Caribbean. Page 21

DOME Petroleum, troubled Canadian energy producer which is asking holders of Swiss franc and dollar bonds for a deferral of interest and principal payments, said it had not made a payment of about C$400,000 (US$289,000) to Bayerische Landesbank, scheduled for Tuesday. Page 21

LAFARGE Coppée, large French cement group which has been expanding its biotechnology activities, announced a threefold rise in first-half profits to FFr 576m ($86.7m). Page 22

VOLKSWAGEN Audi group expects to beat its 1979 sales record when models from Seat, previously state-owned Spanish group which became a VW subsidiary in June, are taken into account. Page 23

Northwest's order for Airbus jets could top $3bn

BY OUR FOREIGN STAFF

AIRBUS INDUSTRIE, the European aerospace consortium, has won its second major order in the US in less than 18 months.

Northwest Airlines has signed an agreement to buy up to 100 A-320-200 twin-engined airliners. The Minneapolis-based company said the total value of the contract, including spares and support equipment could total $3.2bn.

In May last year, Airbus won a major contract for 28 A-310 and A-320 jets from Pan Am, another major US airline. This order was worth $1.1bn.

The latest order consolidates the European consortium's push into the fiercely competitive US market in competition with domestic manufacturers, Boeing and McDonnell-Douglas.

It is one of the biggest airline orders in US aviation history and the first of an expected series of major orders as the US airlines re-equip their ageing fleets for the 1990's.

The A320-200 which is scheduled to make its first flight next spring, will seat 150 passengers and is the only new advanced technology aircraft in production, says its manufacturers. Its fuel consumption is half the average of Northwest's current fleet and the aircraft is one of the quietest.

Under the agreement signed yesterday, Northwest will acquire 10 A-320s for delivery in 1990 and 1991. The agreement provides for Northwest to buy up to a further 90 A-320s for delivery by 1995.

Airbus is based in Toulouse, France, and controlled by French, West German, British and Spanish aerospace companies.

British Aerospace said last night its share of the new order would be £400m ($579m).

The other partners in the European joint venture are Aerospatiale of France, Messerschmidt-Bolkow-Bloehm of West Germany and Casa of Spain.

The leading engine supplier for the A 320 is the International Aero Engines consortium made up of Rolls-Royce of the UK and Pratt & Whitney of the US, each with a 30 per cent share, along with Japan Aero Engines, MTU of West Germany and Italy's Fiat.

No decision has been made about which manufacturer will supply the engines for the 150-seat medium range aircraft.

Northwest will have the option to lease the first 10 aircraft which it is committed to buy from financial institutions on favourable terms. The remaining 90 are to be made available to Northwest in a series of six blocks of 15 aircraft each.

Northwest will be able to confirm or cancel any or all of the aircraft offered in each block, after the initial 10 aircraft.

Mr Steven Bothmeir, chairman and chief executive of NWA, Northwest Airlines parent company, said yesterday: "This deal affords Northwest great flexibility in developing a long-term fleet plan. This is one of the few times that an airframe manufacturer is sharing the risk with a major airline in the development of a competitive fleet.

"The flexibility in this agreement will allow Northwest to add additional capacity or to replace older Boeing 727s and CD 9s in our fleet in a manner that suits market needs and economic conditions as well as the financing capability of the airline."

Northwest recently won US Government approval to acquire Republic Airlines, also based in Minneapolis. The takeover, which would be worth $884m, would allow Northwest to become the third largest US carrier after United Airlines and American Airlines.

The A-320, which is an extension of the Airbus's earlier A-300 and A-310 programmes, makes its first flight next year before entering service with Air France and British Caledonian in 1988.

S African miners stage biggest ever strike

BY ANTHONY ROBINSON IN JOHANNESBURG

THE DAY of mourning called by South Africa's black National Union of Mineworkers in memory of the 177 gold miners killed in last month's Kinross mine disaster, led to the biggest stayaway ever in the mines, the union claimed last night.

A total of 325,000 miners and 275,000 other workers were said to have been involved.

But Mr Cyril Ramaphosa, the union's general secretary, said the protest, which underlined the extent of union support and the strength of feeling about the campaign for greater health and safety provisions, was marred by several incidents of tear gassing and police harrassment.

Union officials reported that 150 miners were arrested at Welkom in the Orange Free State on their way to a memorial service and tear gas was used against singing and chanting miners at the Winkelhaak Mine near Kinross. At Vaal Reefs, workers were tear gassed in their hostels but later received an apology from mine management.

Mr Ramaphosa added that the union executive would be meeting at the weekend to discuss the union's attitude towards sanctions. He added that further action which could affect gold production would be discussed, but declined to give details.

In a show of solidarity for the miners, some 275,000 members of other unions affiliated to the Congress of South African Trade Unions (Cosatu) staged various forms of work stoppages which mainly affected the steel and chemicals industries said Mr Jay Naidoo, a senior official of the federation.

Gencor, owner of the Kinross mine said that 70 per cent of its 97,000 gold miners did not turn up for work, along with half its 14,000 coal miners. Anglo American Corporation said that 150,000 of its 180,000 workers stayed away.

Chrome and other mines were also affected by the stay away, while De Beers reported that only 2,500 out of a total workforce of 11,200 turned up at its diamond mines. Anglo, Vaal and Rand mines, however, reported "no abnormal absenteeism."

Management and office workers and those miners who did work observed a five minutes silence at mid-day and the flag at Gencor headquarters in Johannesburg was lowered to half mast as Mr Derek Keys, the executive chairman, led 35 top executives in a brief prayer meeting.

● President P.W. Botha, who opened the South African Parliament in January with a bold statement that apartheid was "an outdated concept," yesterday concluded this year's cycle of provincial party congress in the Indian Ocean port

Continued on Page 20

Zimbabwe's growth loses momentum, Page 6

Ford proposes plan to acquire 51% holding in Alfa Romeo

BY JOHN WYLES IN ROME AND JOHN GRIFFITHS IN LONDON

FORD of the US has delivered firm proposals for the future of Alfa Romeo, the Italian state-owned car-maker.

IRI-Finmeccanica, the state holding company which is Alfa's major shareholder, has committed itself to giving a formal response by November 7.

A joint statement by Ford and Finmeccanica last night said the proposals could resolve the "long-standing need for reorganisation for Alfa Romeo."

They are understood to involve Ford acquiring initially a 20 per cent stake in the loss-making company, leading to a 51 per cent stake and management control within three years.

The joint statement said negotiations had been frank.

"We believe the Ford offer is eminently sensible from Alfa Romeo's point of view, since it recognises the necessity to continue the independence and integrity of this famous automotive marque. The offer also recognises the need to restore the position of Alfa Romeo cars and engines in regard to its prestige competitors," it said.

Ford said it would refuse all further comment until a reply has been received. The inclusion of a firm date for Finmeccanica to respond, however, appears aimed at forcing the hand of Fiat.

A factor seriously complicating Finmeccanica's handling of the issue is Fiat's undertaking to improve on Ford's offer once Fiat knows the details. The IRI leadership has made little secret of its preference for an arrangement with Ford after exploring some Fiat proposals for Alfa at the turn of the year.

A final decision on Alfa's future will be taken within the Government, although ministers are promising a more orderly procedure than that which last year produced Prime Minister Bettino Craxi's surprise veto on the sale of the IRI food subsidiary SME to Mr Carlo de Benedetti.

This means that if Finmeccanica's response is to be a clear one, the Ford offer must swiftly clear the Government's inter-ministerial industrial policy committee which is supposed to examine it for its impact on the structure of the national motor industry and on employment.

The final judgement is supposed to be left to the Minister for State Participation, Mr Clelio Darida, once he has taken opinions from IRI and his colleagues in the Government. But no one is excluding an intervention by Mr Craxi, who has already expressed a preference for an "Italian solution" for Alfa.

Losses at Renault division, Page 21

US warning dims hopes of $ stability

BY PHILIP STEPHENS IN WASHINGTON AND GEORGE GRAHAM IN LONDON

THE DEEP disagreements between leading industrial countries on exchange and interest rates resurfaced in public again yesterday as the US administration emphasised that it had not agreed to European calls to stabilise the dollar.

Mr James Baker, the US Treasury Secretary, said that there were still differences between governments over the degree of "further adjustment" of the dollar's value needed to generate a sustainable trade pattern between major economies.

Mr Baker, speaking at the annual meeting of the International Monetary Fund, also indicated that the US remained dissatisfied with the efforts of European governments to promote faster growth in their economies.

Mr Gerhard Stoltenberg, West Germany's Finance Minister, made clear that his country, which has borne the brunt of US pressure at this week's series of meetings, would not accede to calls for it to boost economic growth by cutting interest rates.

"We believe that credibility, predictability and a clearly-defined medium-term orientation are necessary qualities of a successful growth strategy. While we all have to follow the situation closely, it is essential to avoid drifting back to short-term economic fine-tuning," he told the IMF meeting.

Mr Baker's remarks injected a note of uncertainty into financial markets and both the dollar and the pound weakened slightly.

Sterling markets continued to benefit from fears that the West German Bundesbank might renew its operations in support of the pound, and three month interest rates edged down by ⅛ percentage point to 10⅝ per cent.

The Bank of England indicated its continued support for the existing structure of interest rates by lending money to the discount houses at 10 per cent, equal to the bank base rate the authorities have been seeking to defend for the last few weeks.

The dollar lost more than ½ pfg to close in London yesterday at DM 2.0215, and weakened a shade further in early trading in New York. The pound remained virtually unchanged against the dollar at $1.445, but lost 1¼ pfg to DM 2.92.

Share prices rose in both London and New York, however. The FT Ordinary share index gained 24.7 to 1,251.7, while the Dow Jones Industrial Average moved 20 points higher in early Wall Street trading.

Mr Baker said that the dollar's sharp depreciation since last year

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Poor oil sales halt Nigerian debt drive

BY MICHAEL HOLMAN IN LONDON

NIGERIA'S protracted efforts to manage its estimated $6.5bn trade debts appear to have collapsed.

The country's central bank told creditors this week that it was unable to make the first payment of principal due next week on promissory notes issued to cover arrears in payments for imports in the early 1980s.

A circular issued on Monday by the Central Bank of Nigeria said that it was unable to make the payment because of the sharp drop in oil exports from $11.9bn in 1985 to a forecast $6.5bn this year. Oil accounts for more than 90 per cent of Nigeria's foreign-exchange earnings.

The amount due next week is not known, but since only a small proportion of the trade debt has been covered by the notes, it is not thought to be substantial. The Bank's inability to raise what is a comparatively small amount is an indication of the severity of Nigeria's economic crisis.

The Bank has called a meeting of noteholders in London next month at which it will put forward proposals for renegotiation of the period over which the principal will be paid.

The development is the latest step in the long running and complex saga of Nigeria's trade arrears which reached at least $4bn in 1982 and 1983, with a further $2.5bn accumulating in the past year. The majority of the arrears are owed to British companies, some of which have Export Credit Guarantee Department (ECGD) cover.

The Government attempted to resolve the problem with the issue of promissory notes carrying interest

Nigeria at crucial stage, Page 4

Choice of new BBC chairman sparks political row

By Raymond Snoddy in London

MR MARMADUKE "Duke" Hussey, the man who led Britain's Times Newspapers in its unsuccessful battle against the UK's print unions eight years ago, was at the centre of a political row yesterday when he was appointed chairman of the BBC, the most influential job in British broadcasting.

Opposition Labour MPs attacked the choice of Mr Hussey by Mrs Margaret Thatcher, the Prime Minister, as "provocative".

Mr Gerald Kaufman, shadow Home Secretary, said the appointment was outrageous and that a future Labour government would try to remove Mr Hussey, a former chief executive of Times Newspapers.

Mr Hussey was to be a director of Times Newspaper Holdings with a roving brief to look at long-term strategy and how other newspapers were coping with the problems of the future.

"The strains on top management in Fleet Street these days are almost unique in industry and will not diminish. After 14 years as a Fleet Street managing director, Duke Hussey needs a rest from the intolerable pressures of day-to-day management," Sir Denis Hamilton, editor-in-chief of the group, said.

It seemed like the gentle end to a lifetime's career in newspapers that began as a messenger at the Daily Mail rather than anything that would eventually lead to the most influential job in British broadcasting.

Mr Hussey may have come to the attention of Mr Douglas Hurd, the Home Secretary, because of his chairmanship of a struggling independent local radio (ILR) station Radio West in Bristol. He put together a refinancing package for one of the most vulnerable stations in the ILR system and played a key role in negotiating a merger with a neighbouring station covering Swindon to create a profitable company – Great Western Radio.

He was an effective lobbyist at the Home Office on behalf of the deregulation of local commercial radio in the UK, and ironically was opposed to plans for a new BBC radio station for Swindon-Radio Wiltshire. He may now have to open it.

The chairmanship of the BBC is in theory and often in practice the most powerful position in the corporation. The governers are the BBC in that they represent the public interest and have absolute power to hire and fire the executive management, including the director general.

In practice there is a lot of room for ambiguity in the three-sided relationships with the board of man-

Background, Page 8

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EUROPEAN NEWS

Laura Raun writes from Amsterdam on next weekend's opening of the Oosterscheldt storm barrier

High-technology barrage to protect Dutch environment

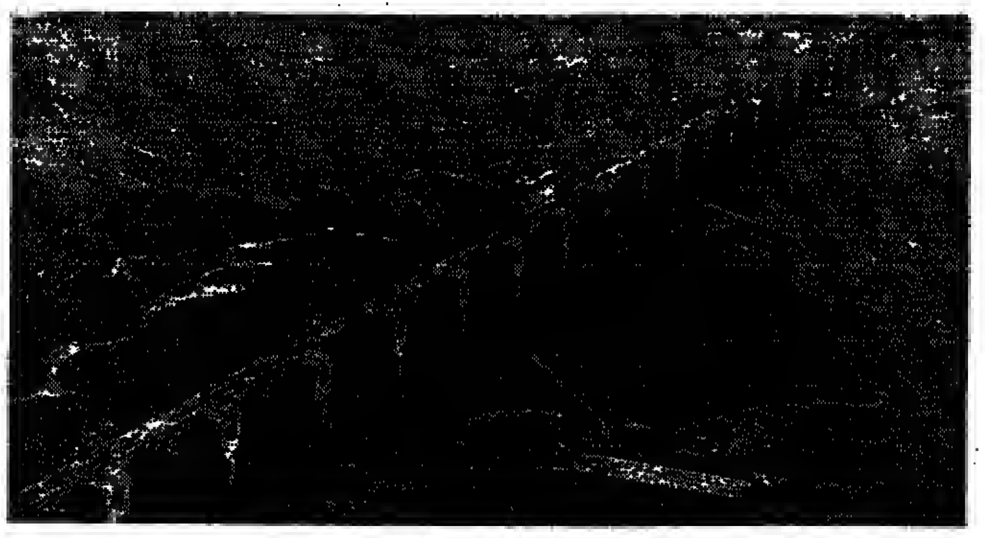
WHEN Queen Beatrix of the Netherlands stands atop the Oosterschelder storm-surge barrier on Saturday and flips a lever, a series of mammoth steel gates will drop and temporarily stop the North Sea from washing into the Zeeland estuary.

The inauguration before 25,000 people will mark the completion of the high-technology barrier which has been called the eighth wonder of the world, a permeable dam that will allow tidal waters to flow in except during dangerous storms. Both the delicate natural environment and the physical safety of the Zeelanders will be protected.

The Fl 7.8bn (£2.4bn) barrier on the Oosterschelde estuary at the mouth of the Rhine river highlights the end of a 30-year delta works project designed to protect the province of Zeeland from the kind of catastrophic floods of 1953 that killed 1,850 people and destroyed farms and industry.

The entire Fl 14bn delta works is the largest water-control project in the world, a huge network of barriers, dams, canals, dikes and locks that have been woven into the mouth of three rivers in a bid to wrest control of the sea. It is likely to be the last big water-control project engineered by the Dutch, who have spent centuries protecting their country—half of which is below sea level—from water.

On Saturday the spectators, including royalty and presidents, will watch as the 62 steel gates weighing as much as 490 tonnes slowly descend to the river bed. The sluice gates are hung between 65 massive concrete piers to form a 3-km long barrier that will be topped by a highway next year. Within 48 hours the tides will stop and the gates will then be raised to minimise any environmental damage to the famous Zeeland oyster beds and rare migratory geese.



Tops of some of the 65 concrete piers during construction of the barrage

With the completion of the entire delta works, the chances have been slashed to only once in 4,000 years that stormy seas will flood over the barrier leaving the homee of as many as 2m people 6 ft below sea level. The chances of someone dying in a flood have been reduced to one in 10m, statisticians estimate.

Originally a traditional dam was to have been constructed across the Eastern Scheldt (Oosterschelde), one of the finger-like water ways created by the confluence of the Scheldt, Rhine and Maas rivers.

By the early 1970s, however, a new generation of Dutchmen had grown up who were as much concerned with preserving the delicate ecological balance of the estuary as with protecting their own lives. An amalgamation of environmentalists, professional fishermen and recreational anglers argued that rare geese and birds, shellfish, sea life and plants could be jeopardised if the natural tidal flows were halted.

Averting a cabinet crisis in 1973, it was decided to seek an alternative to a traditional dam and Dutch engineers set about the task of creating a storm-surge barrier with some relish.

With years of experience in controlling water, the engineers came up with a solution that was a barrier formed of 65 wedge-shaped concrete piers with sluice gates hung between them.

To ensure an even and stable surface for the road atop the barrier, the river bed was dredged smooth and laid with "mattresses" of stone-weighted mastic asphalt slabs upon which the piers were planted. "Aprons" of stone-filled asphalt slabs and huge boulders were then carefully laid around the base of the piers to anchor them.

The highly computerised control centre includes hydrological and meterological information systems, fault monitoring devices and an early warning system that assimilates data from various sources. During unmanned periods the early warning system will determine whether monitoring teams should be called in.

Construction has been carried largely by Dosbouw, a consortium of the leading names in Dutch contracting: Ballast Medam, Breejenbout, Hollandsche Beton Groep and Royal Volker Stevin among others. The cost has more than doubled to Fl 7.8bn from an original Fl 5bn while construction delays have pushed the completion into next year from an original deadline of 1985.

The entire delta works project involves a highly complex network of eight dams, a major canal, several locks and raised dikes to harness the Rhine mouth for commerce, shipping, tourism and the environment. With its myriad of islands and estuaries, Zeeland has promoted a lively tourist industry that has profited from the new bridge highways across the dams.

The picturesqne province with its gently rolling hills and qnaint villages had been rather isolated by the numerous water ways. *New Zealand is worried* about a sharp rise in unemployment following completion of the project, which took 60 per cent of its 1,900 workers from the province at one time.

Like the Oosterschelde, the whole delta works has surged in costs over the three decades of construction. Originally estimated to cost Fl 2.5bn, the final price tag is more than five times that high—much of that due to the Oosterschelde.

Critics have questioned whether the Fl 7.8bn for the storm-surge barrier could have better been spent elsewhere. Questions have come even from within the Public Works Ministry, which has carried out the project. In 1980 Mr Tjebbe Visser, public works' project leader for the barrier, said: "This is the first Dutch water control project which will provide no economic gain. It is an unusual project in that no land will be reclaimed or irrigated. Only the interests of safety and nature will be served."

Public spending on the delta works project has been so massive that total government investments will fall by 3 per cent next year and about one-fifth of the jobs in the Public Works Ministry will end in the coming four years.

The delta project may be the last of such efforts now that the cabinet has decided to drop plans for reclaiming land from the Ijsselmeer, formerly called the Zuider Zee.

Not the least of the Dutch hopes for this weekend is that other countries contemplating water projects will invite Dutch contractors to bid.

Le Pen condemns Athens

BY ANDRIANA IERODIACONOU

MR JEAN MARIE LE PEN, leader of the French extreme right National Front party, yesterday accused the Greek Government of being "undemocratic" for banning a conference of European right-wingers to have taken piece last weekend in Salonika and said he was determined to hold the event in Greece at the beginning of December.

The Athens Government advised the organisers of the conference last week that it could not take place because Greece is going through a pre-election period—municipal elections are scheduled for October 12—and "for reasons of public order." The Salonika municipal anthorities, local students, and trade unions, had reacted strongly to the prospect of hosting the event.

Feeling against far right political forces runs high in Greece, where memories of the military dictatorship from 1967 to 1974 are still fresh. In a press conference yesterday following a closed-door meeting at the European Parliament offices in Athens of the Praesidium of the European Rights parliamentary group Mr le Pen called for a release of the jailed ringleaders of the Greek junta.

Yugoslav PM under attack

YUGOSLAV parliamentarians are attacking Prime Minister Branko Mikulic for failing to fulfil the government's promise to curb inflation now running at almost 100 per cent, the semi-official news-Politika said yesterday, Reuter reports from Belgrade.

It quoted one MP, Mr Lazar Zaric, as saying Mr Mikulic's promise in June to cut inflation by 20 percentage points by year-end had been forgotten. Earlier this week Mr Mikulic again promised to cut inflation, this time by 30 percentage points.

Swiss growth rate to slow

BY JOHN WICKS IN ZURICH

THE SWISS economy will contione to grow over the coming years but at a slower rate, according to a medium-term study published by the Federal Institute of Technology in Zurich.

For the current year, the report forecasts a rise in gross domestie product of some 2.4 per cent in real terms, following a 4 per cent increase in 1985. For the next year and 1988 the institote reckons on GNP growth rates of 2.2 per cent and 1.6 per cent, respectively.

Impulses are likely to come increasingly from the bome market and less from such foreign-oriented ectivities as exports and tourism, it is claimed. Private consumption is expected to rise by a real 3.75 per cent in 1986, 3 per cent next year and 2 per cent in 1988 as compared with 1.5 per cent last year.

Investment volumes are expected to continne at a high rate in Switzerland. Expenditure in real terms on equipment is expected to grow by 10 per cent in 1986, 6 per cent in 1987 and 4 per cent in the following year.

Exports will probably keep growing bnt at a mnch lower rate than the real 9.1 per cent booked for 1985.

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Swedish blue-collar workers join public sector strike

BY SARA WEBB IN STOCKHOLM

SWEDEN'S public sector workers stepped up their strike action yesterday when the two blue-collar worker union confederations announced plans to bring some of their members out on strike and to impose a ban on overtime.

Over 14,000 public sector workers in the white-collar union confederations came out on strike on Tuesday following the breakdown in wage negotiations and the rejection of the state-appointed mediating commission's final offer nearly two weeks ago.

Statsanstaelldas Foerbund (SF) and Svenska Kommunalarbetare Foerbund (Skar), representing together about 800,000 blue-collar workers in the public sector, said last night that their strike action and overtime ban would take effect from noon today if "meaningful and constructive" direct negotiations with the employers did not start before 10.00 am this morning.

The employers in the Government, municipalities, and county councils originally said they would hold direct negotiations on two conditions: if the unions dropped their demands for wage parity with the private sector and if they agreed to a wage increase of 10 per cent over 1986-87.

The unions would not agree to drop these demands, and last night, the employers rejected the possibility of direct negotiations.

SF has threatened to call out 1,750 members including ticket collectors working in the Swedish state railways, post office terminal workers, aircraft technicians, and power station workers, and will issue a ban on overtime for 175,000 members with effect from next Thursday.

Skaf plans a ban on overtime for its 600,000 members who include social workers, hospital workers and local government employees, with effect from noon today.

This will bring the total number of public sector workers out on strike to over 17,000. Already, the effects of the strike are visible. Stockholm's bus service is running at 50-60 per cent of its usual level, because public transport supervisors were called out on Tuesday.

Some hospital wards have shut down and patients transferred to other areas or else told to expect delays for operations because of the shortage in nursing staff.

Strike action by customs staff is costing the government about SKr 200m (£20.2m) a day, and the municipalities say they are losing interest on taxes because cheques are not being paid in by tax administrative staff.

Daimler warns over threat to regional aid

By Jonathan Carr in Frankfurt

DAIMLER-BENZ, the fast-diversifying West German vehicle maker, has strongly defended its right to controversial local government aid to help build a DM 1.8bn (£620m) car plant at Rastatt in the southern state of Baden-Wuerttemberg.

Mr Werner Breitschwerdt, Daimler's chief executive, also warned that if building work at Rastatt had not begun by the start of 1988 Daimler would have to look for a site elsewhere, probably Bremen in the far north.

Mr Breitschwerdt's remarks come amid intense public debate over the aid, believed to total more than DM 120m, which Baden-Wuerttemberg's state government is putting up for the Rastatt project.

The European Commission in Brussels, trying to stamp out subsidies to the European motor industry, has already pledged to investigate the affair. Critics in West Germany argue that Daimler, as one of the country's richest companies, should not receive such an injection of taxpayers' money.

In a speech in Stuttgart, Mr Breitschwerdt said that — whether one liked it or not — governments throughout Europe sought to outbid one another in trying to get companies to settle and create jobs.

It was not up to an individual company to try to bring about a change.

The Daimler chief said that the Rastatt plant would be the company's third big domestic car plant, and would employ around 7,000 people and the Government would quickly recover in extra tax revenue what it planned to make available in aid.

He also noted that one factor favouring Rastatt was that Daimler had a plant in the relatively depressed commercial vehicle sector close at hand. The new factory could thus help absorb labour freed at the other plant.

But Mr Breitschwerdt stressed Daimler did not insist on Rastatt. If building work was delayed the company might decide on Bremen instead — an area where, he noted, investment subsidies were eligible under EEC rules because of the weak local economy.

Italy to raise airliner from sea bed

BY JOHN WYLES IN ROME

FOR SIX years the mystery surrounding the "Ustica case" has been gnawing away at the Italian body politic. Hours of investigation have failed to supply an answer as to why a DC9 airliner plunged into the sea 35 miles north of Sicily on June 27 1980. Finally, the Italian Government has declared itself ready to spend L10bn (£5m) on raising the wreckage from the sea bed.

The persistent public concern for an explanation for the loss of the aircraft and 81 lives in the waters around the island of Ustica stems from fragmentary evidence of an explosion in or around the aircraft. Successive governments say they have tried and failed to find an answer and the idea of raising the wreckage was rejected four years ago on the grounds of cost.

However, the issue was taken up personally at the end of July by President Francesco Cossiga who, in an exercise in presidential authority, asked the Government to reveal what information it had. It had very little.

At first, the discovery of traces of T4 explosive in some wreckage seemed to confirm theories of a terrorist bomb aboard the airliner which was on an internal flight from Bologna to Palermo. But technical analysis drawing on British expertise revealed that particles of metal had entered seat cushions at a much greater speed than could be explained by a bomb explosion.

More credible, according to the Transport Ministry and magistrates reports, is the notion that the aircraft was hit by a missile.

Some wilder unofficial explanations have had the aircraft caught up in and brought down by a Nato exercise—but there was none that day say the authorities. Perhaps equally fanciful was a link drawn with the discovery just over a year later of the wreckage of a Libyan MiG in the Calabrian hills near Catanzaro. The Government refuses to believe that this could have been the origin of any missile.

Announcing the Government's decision to try to raise the wreckage, Mr Guiliano Amato, Prime Minister Craxi's closest aide, warned that examination of the wreckage may only deepen the mystery. An American reconnaissance submarine would be employed first to make sure that the exercise would be feasible. But neither he nor anyone else is confident that the mystery of flight IH 870 will ever be solved.

Pravda urges closer China links

BY PATRICK COCKBURN IN MOSCOW

Mr Talyzin: trade talks in Peking

THE TIME is right for a further improvement in the Soviet Union's relations with China, the Soviet Communist Party daily Pravda said yesterday.

The article, written to mark the 37th anniversary of the founding of Communist China, follows a sharp improvement in relations between the two biggest Communist powers.

Pravda said all the conditions now existed for "a further consolidation of traditional friendship between our two nations," although it also cautioned that much remained to be done. The Soviet Government had earlier sent a message of congratulation to Peking, saying that it understood and respected China's economic reforms.

In recent months Peking and Moscow have exchanged official visits at an increasingly senior level. General Wojciech Jaruzelski, the Polish leader who is closely allied to Moscow, has just completed a visit to China.

Earlier last month Mr Nikolai Talyzin, the head of the Soviet State Planning Organisation, and a non-voting member of the Politburo, had trade talks in Peking. Bilateral trade is planned to exceed 12bn roubles (£12bn) between 1986 and 1990.

Warmth in relations has increased since Mr Mikhail Gorbachev, the Soviet leader, offered to resolve border disputes between the two sides and accepted some Chinese demands. The Chinese emphasise that they still want a reduction in Soviet troops on China's northern border, the Soviet Union to leave Afghanistan and Vietnam to leave Cambodia but the so-called three obstacles do not appear to have hindered the recent improvement in relations.

Shipyard deal calms French demonstrations

By David Housego in Paris

DEMONSTRATIONS subsided in French shipyards yesterday after the Government reached an agreement with three trade unions on redundancy terms for workers losing their jobs at the yards of the bankrupt shipbuilding group Normed.

The Government had offered a cash payment to all workers of FFr 200,000 (£21,000) — the highest settlement to date in the French nationalised sector — together with retraining allowances. The Government further conceded in negotations additional aid for companies taking on shipyard workers and a special scheme to help workers in the 48-55 age bracket to find jobs.

The Paris commercial court is to decide on Monday whether to put Normed into liquidation. It seems increasingly probable however that the Government will go on financing jobs at the yards until current orders are completed — thus providing further time for alternative users of the yards to be found.

Normed owns shipyards at La Ciotat and La Seyne on the Mediterranean and at Dunkerque in northern France.

Buyer unveils plans for W. German housing group

BY PETER BRUCE IN BONN

Mr Helmut Kohl: meeting with unions

PROMISING to make it "fun once again" to be a Neue Heimat tenant, Mr Horst Schiesser, owner of a Berlin-based bakery chain, yesterday formally took over the West's biggest housing group from West Germany's trade union movement.

Mr Schiesser agreed to buy the rump of Neue Heimat, around 190,000 homes, nearly two weeks ago for a symbolic DM1 in a deal that has cost the unions dear in public esteem and political credibility.

Mr Schiesser said Neue Heimat, which when sold had liabilities of DM 17bn (£5.8bn) and short-term debts of about DM 3bn, would continue to meet its special obligations to tenants but would be managed much more strictly.

Neue Heimat was founded in the fifties under the principle of *gemeinwirtschaft*, a form of co-operative, which offers tax breaks provided no more than 4 per cent of profits are distributed. Under the deal with the unions, Mr Schiesser is committed to this system.

In return, the unions have promised to make credits worth DM 1bn available to him over the next 20 years. Meanwhile, Mr Schiesser promised, he wanted to return the group to profitability as soon as possible.

Mr Schiesser promised to make deep cuts in Neue Heimat's operating costs but did not say where.

The unions met in Bonn yesterday with Chancellor Helmut Kohl for the first time in a year and again came under pressure to release more details about the financing of the Neue Heimat deal.

EEC research funding in doubt

BY QUENTIN PEEL IN BRUSSELS

A NEW grant of cash for the second phase of the EEC's Ecu 1.5bn (£1bn) Esprit programme — designed to promote European co-operation in information technology (IT) research — is certain to run into tough scrutiny from the member states, industrialists were warned yesterday.

The European Commission has called for another Ecu750m to bring forward the second phase to 1987, because all the cash in the first phase of the programme has now been committed.

Mr Geoffrey Pattie, the British Minister of State who currently chairs the EEC Research Council, told a conference in Brussels that agreement on the money would not be easy.

The conference was intended to review progress on the Esprit programme, which has now seen the initial funding committed to a total of 200 collaboration projects in IT research.

Esprit is regarded by the European Commission as the showpiece of its research efforts in a key field of high technology, where European collaboration is seen as essential to close the gap with the US and Japan.

Mr Karl-Heinz Narjes, the EEC Commissioner responsible, refused to contemplate the "disaster" which would result from failure by the research minister to approve his cash request. "I do not think we need even entertain such an idea," he said.

Mr Pattie, however, voiced some wide-ranging doubts about the design of the second phase, and the cash required, for what he described as "the Commission's impressive but . . . ambitious proposals."

He questioned the emphasis on so-called technology integration projects, bringing together different sectors of technology, as possibly in conflict with the "pre-competitive" nature of the programme so far.

He also suggested that such projects "be adopted on a much more modest and exploratory scale."

Both the UK and West Germany have been consistently dubious about the benefits of big EEC research programmes, arguing that public money is not as necessary as agreement to remove market barriers in high technology sectors.

Soviet trade in deficit with West

THE SLUMP in world oil prices kept Soviet trade with the West in the red for the first six months of 1986 with exports and imports falling in volume, according to official figures, Reuter reports from Moscow.

The Soviet Union had a 2.3bn rouble (£2.275bn) trade deficit with the West from January to June, compared with one of 2.4bn roubles in the same period last year, according to statistics published in this month's edition of the foreign trade journal Vneshnyaye Torgovlya.

Western embassy economists said Moscow had avoided a worse trade balance by restricting imports from the West.

Moscow had also sold a large amount of gold in apparent efforts to reduce its deficit, the economists added.

Strike over pay closes 11 east coast ports in US

BY DAVID OWEN IN NEW YORK

US EAST COAST ports from Maine to Virginia were blocked yesterday after 30,000 members of the International Longshoremen's Association went on strike.

Eleven outlets, including ports at Boston, Baltimore, Philadelphia and New York—the largest US general cargo port—were affected. A spokesman for the New York Shipping Association, representing management in the ports of New York and Boston, said traffic would come to a complete standstill.

ILA members voted to strike from midnight on Tuesday following the failure to agree terms for a 45-day labour contract extension with two North Atlantic shipping associations. Twenty-five other ports employing ILA members in Texas and the Gulf of Mexico were unaffected.

The differences stemmed from a proposal by the Council of North Atlantic Shipping Associations, which represents ports at Providence, Baltimore, Philadelphia and Hampton Roads Virginia, asking the union to agree to a two-tier wage scale during the extension period.

According to Mr Greg Storey, spokesman for the New York Shipping Association, this would effectively reduce wage levels for workers handling uncontainerised goods to $14 an hour from $17 at present. Those handling containerised merchandise would continue to receive the $17 per hour flat rate.

Ports under the auspices of the New York Shipping Association were also hit, although the association has agreed in principal to the longshoremen's demand for a two-year wage freeze followed by a $1 per hour increase in the final year of the contract and did not demand the two-tier system.

US factory orders fall by 1.4%

THE US Commerce Department reported yesterday that new orders for plants and factories in August fell by 1.4 per cent from July, foreshadowing a downturn in business activity, Reuter reports from Washington.

However, spending on new construction rose 1.1 per cent in August, following a rise of 0.7 per cent in July. This figure is a broad gauge of new building activity, taking in housing as well as new productive facilities such as factories.

The value of new orders for manufactured goods fell to $191.78bn (£132bn), down 1.4 per cent from July. This was the steepest one-month decline since a 2.8 per cent decline in March.

The drop was larger than analysts had anticipated

US index falls

THE US index of leading economic indicators fell by 0.2 per cent in August compared with the previous month. The Financial Times yesterday incorrectly reported that the index rose.

Stewart Fleming in Washington on the domestic motives behind the US-Soviet meeting

Iceland talks offer political bonus for Reagan

PRESIDENT Ronald Reagan's decision to resolve the impasse over the arrest of Nicholas Daniloff with a "no swap swap" for a Soviet spy and to press ahead for a "pre-summit summit" next week with Soviet leader Mikhail Gorbachev in Iceland has dismayed conservatives in the US and worried many experts in US-Soviet relations.

But it is recognised on Capitol Hill that provided the Reykjavik talks go well, the President's Republican Party has much to gain from a pre-election meeting with Mr Gorbachev. This helps to explain why leading Republicans have been quick to support the President's decision.

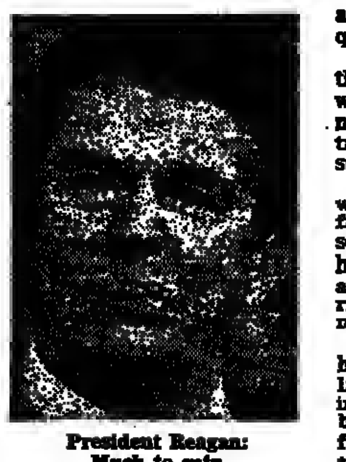
The Reagan Administration itself lost no time on Tuesday in attempting to turn its summit announcement to advantage, immediately turning up the pressure in Congress for lawmakers to rally behind their President on issues such as South Africa.

The White House may also be hoping for an early political victory from the agreement to meet in Iceland. Defence spending legislation coming up for consideration would require the Administration to put into effect a one-year moratorium on nuclear testing, to adhere to the 1979 SALT II arms limitation agreement and to freeze spending on the Strategic Defence Initiative.

With the meeting just a few days away, the White House will be arguing strongly that Congress would be playing with fire and weakening Mr Reagan's negotiating position if it were to pass such measures.

Beyond such possible short term gains, a triumphant return from Reykjavik would also give the President an issue to exploit as he stumps the country on behalf of Republican candidates at next month's mid-term Congressional elections. The speeches he is making now with their references to the successes of his economic policies, are unlikely to sway many votes in recession hit states of the mid-West.

As one would expect with so crucial a meeting only two weeks away, criticism of the process by which Mr Reagan has arrived at the Reykjavik meeting is muted. It could hardly be otherwise in a country which has, in general, been worried, rather than reassured, by the harsh anti-Soviet rhetoric it has heard from the White House. But criticism there is.



President Reagan: Much to gain

Dr Henry Kissinger, a supporter of the president, nevertheless gave vent to deep misgivings about the haste with which the Iceland meeting has been set up.

"There is no precedent for a summit being set up this quickly," he said.

He said he was worried at the thought of heads of state who lacked the expertise to negotiate details of arms control agreements, sitting down in such haste at a summit.

The domestic political gains which Mr Reagan might expect from a successful summit themselves, it is argued, may put him at a psychological disadvantage since he runs the risk of Moscow declaring the meeting a failure.

The White House seems to have decided that Moscow is unlikely to sabotage the meeting in this way because Mr Gorbachev himself needs a successful summit. As for the question of whether or not Mr Reagan is equipped to negotiate stalled arms control issues, many experts outside the government doubt that Mr Reagan will be drawn into such a debate. Instead, he will seek to settle an agenda for the real summit later this year.

The bowls of dismay from the conservatives in Washington following Tuesday's announcement makes one thing clear. They are convinced that Mr Reagan and Secretary of State George Shultz are now marching firmly in the direction of an arms control agreement, something which the right wing generally considers to be a snare and a delusion.

Mr Reagan could only have expected criticism from this quarter. What is interesting however is that individuals who can scarcely be described as extremists, such as Mr Brent Scowcroft, the National Security Advisor to former President Gerald Ford, feel that in resolving the Daniloff affair the administration came out short-changed. The brief delay between the exchange of Mr Daniloff and alleged Soviet spy Mr Gennadi Zakharov makes the contention that there was no swap barely credible.

Moreover the fact that the question of how many Soviet officials have in fact been expelled from the Soviet UN mission remains unresolved, is generally seen as indicative of a retreat by the Administration on this issue. As for the release of the Soviet dissident Mr Yri Orlov, the consensus seems to be that Washington got less out of this deal than it has in similar circumstances in the past.

Minister warns on Sri Lanka

By Mervyn de Silva in Colombo

MR RONNIE DE MEL, Sri Lanka's Finance Minister, has asked the Government for immediate approval of a three-year economic reform package without which he cannot hope to negotiate a Rupees 6.5bn ($232m) loan from the IMF and the World Bank.

He has told the Cabinet that his reforms cannot wait till the elections in 1989, as urged by many of his ministerial colleagues.

Jamaica wins $60m loans

By Canute James in Kingston

JAMAICA has received two loans totalling $60m from the World Bank following negotiations in Washington this week, according to Mr Edward Seaga, the Prime Minister.

Mr Seaga said one loan, of $40m was intended for the islands' trade and finance sector, while the other was to be used by public enterprises. The Prime Minister is meeting the International Monetary Fund at the weekend.

Mexico's creditors given one month to accept new loan deal

WORLD BANK WASHINGTON 1986

BY PETER MONTAGNON IN WASHINGTON

MEXICO'S new $6bn (£4.2bn) loan agreement is to be rushed through the market at an unprecedented pace.

The creditor banks will have until the end of October to confirm their commitment to the loan agreed in principle with main bank creditors in Washington on Tuesday night.

The deadline is longer than the two weeks originally proposed by Mr Jacques de Larosiere, IMF Managing Director, who is seeking commitments from banks for 90 per cent of the total amount before he implements the IMF's own SDR 1.4bn (£965m) loan arrangement for the government of President Miguel de la Madrid.

None the less it will involve an intense selling effort by the Mexican authorities against a background of market cynicism over Mexico's economic outlook. This is to begin with a major presentation to bank creditors in Washington on October 10 to be followed with "roadshows" in leading financial centres.

Bankers close to the negotiations hope that the margin over London Eurocurrency rates of 13/16 per cent which applies to the loan package will turn out to be a selling point. It is higher than the market had expected and close to the ⅞ per cent demanded by leading creditors.

Further, the decision to lend to Mexico had already been taken by more than 50 creditor banks when they agreed to contribute to the country's latest $1.6bn (£1.13bn) bridging loan late last month. Between them these banks will account for two thirds of the bulk of the loan commitments required by Mr de Larosiere.

Initial reaction of bankers at the International Monetary Fund meeting was that the terms of the new loan deal, which include adjustments to the terms of previously agreed reschedulings, were a marked a victory for bank lenders. Not only is the margin higher than expected; the terms also effectively silence demands by Mexico for concessionary conditions including the linkage of interest payments to oil prices.

Yesterday negotiations were working on the final details of the package, including the conditions under which the World Bank will guarantee $500m of the new loan and arrangements for contingency money to be made available to Mexico if its economy performs worse than expected.

This element totals $1.7bn. A feature of it is that the banks have managed to eliminate a formal link between this part of the package and the level of oil prices.

Mexico had asked for such a link on $1.2bn of this contingency money which is instead being described as an "investment support facility." The World Bank will guarantee half the remainder of the contingency money. Its availability will depend on Mexico's economic growth rate.

Mexico yesterday calculated that the entire package was worth $77.75bn but this includes the contingency money and an agreement in principle to refinance $11.2bn of private sector debt that has already been rescheduled under Mexico's so-called Ficorca scheme. This refinancing will only come into play later.

The package also covers the $950m principal repayment left over from last year and still unpaid by Mexico. This will be rolled into the refinancing agreement for new loans agreed in 1983-84.

Despite the gloss being put on the package by leading bankers yesterday, there is considerable uncertainty as to how it will be received in the broader market place.

One fear is that the Mexican negotiators have been so preoccupied with the political impact of the negotiations at home that they have ignored the concerns of their creditors abroad who are now being asked to put up new funds in proportion to their exposure to Mexico outstanding in 1982.

Disbursement of the new money loan by the commercial banks will run in parallel to payment by the World Bank on its $500m loan to Mexico which is designed to finance development of its non-oil export industry.

The World Bank said yesterday that its guarantee on the commercial bank package would form part of a total of $2.3bn in financial commitments it is making to Mexico as part of the latest concerted international effort to help it service its $97bn foreign debt.

It will guarantee only the final maturity of its portion of the package which means that banks will only have recourse to Mexico where interest payments are concerned. The guarantee will also only become effective if all other parts of the package are in place.

Mr James Baker, US Treasury Secretary, told the IMF yesterday that the Mexican agreement provided "an important, concrete example" of commercial bank willingness to support a strengthened strategy for dealing with the debt problem. "I think we can look forward to the increased private financial flows called for by the strengthened debt strategy," he said.

MEXICO'S DEAL IN FIGURES

Debt Category	Amount ($bn)	Old maturity (year)	New maturity (year)	Cost saving* ($m)	Grace period (years)
Previously rescheduled loans	43.7	1998	2006	163.9	7
New loans agreed in 1983-84	8.53	1994	1994	130.8	3
New money for 1986-87	6.0	—	1998	—	7
Contingency facilities	1.7	—	under discussion		

* Cost saving represents annual saving on debt service after change in interest margins to 13/16 per cent over Libor or domestic cost of funds. This margin applies to all commercial bank elements of the package.

Source: Mexican Finance Ministry/IMF

Package offers a breathing space on debt

BY DAVID GARDNER IN MEXICO CITY

THE Mexican authorities were yesterday trying to strike a balance in their claims for their latest and biggest ever foreign debt restructuring.

Keen to bring to the fore real improvements in the conditions of repayment on both existing and newly contracted debt, finance officials admitted however that what had really been won was a breathing space.

The major stress lay on the fact that the new money committed in principle under the Washington agreement is to underpin the restoration of growth, and on the urgency of securing new funds to head off the danger of hyper-inflation.

Though the cry of victory is muted, a statement from the Finance Ministry dresses up what has been achieved to its fullest possible advantage.

The reduced 13-16ths spread in the package is "the best margin in the credit history of the country," embodying a 42 per cent cut on the mark-up in existing covenants. The package as a whole contains no conditionality and implies the renegotiation of 80 per cent of the foreign debt, it is claimed.

The $6bn commercial bank credit committed is almost exactly offset by the around $6bn savings on interest that will be made during the life of the agreement.

Even though Mexico has not achieved the ambitious targets it originally, and publicly, set itself, the Government has won itself a vital political breathing space. The seven-year grace period on capital repayments gets it past two delicate years in the run-up to the succession to Mr de la Madrid in 1988.

Since the 1982 financial crisis, and because of the ruling Institutional Revolutionary Party's role in causing it, the standing of the 57-year-old regime has fallen to an all-time low.

But if targeted growth of 3 to 4 per cent of gross domestic product is achieved in the next two years, and prices and a highly inflationary exchange market are brought under control with the aid of the new package, the Government will be able to bequeath a situation at least not worse than the one it inherited.

To avoid the impression that six years of unprecedented sacrifice have been imposed on Mexicans to get the country back to where it started, advances in the promised structural reform and diversification of the economy will have to be achieved to hold out the option of a return to the sustained growth Mexico enjoyed for four decades until 1982.

Nigeria at crucial stage in plan to tackle debt problem

BY TONY HAWKINS IN WASHINGTON

NIGERIA this week reached a crucial stage in its complex game plan designed to resolve the country's crippling debt burden and set in train an economic recovery.

Central to the plan is Nigeria's relationship with the International Monetary Fund (IMF). On the one hand, an agreement with the Fund has long been a precondition to any rescheduling of the country's estimated $19bn (£13bn) external debt.

On the other, the government of President Ibrahim Babangida faces considerable domestic hostility to an IMF role in the handling of Nigeria's economic affairs.

Hence the apparent confusion surrounding the report that Nigeria has signed a letter of intent to the IMF and applied for a loan of SDR 650m (£390m).

In an independence day broadcast yesterday, President Babangida declared: "We have not sought, we have not obtained and we have no intention of obtaining any loan from the IMF."

The president's denial is technically correct, to the extent that Lagos does not intend *drawing* down the facility. However, the application was essential to Nigeria's efforts to obtain the all important Fund endorsement of a far-reaching reform programme built up over the past year.

The only way to obtain such an endorsement was to go through the formalities of negotiating a programme with the Fund and applying for the standby.

This strategy, conceived by officials in Lagos, is intended to meet the demands of Nigeria's creditors while satisfying the Nigerian public which, rightly or wrongly, fears that any loan from the IMF would only be squandered.

The key to the IMF approval was last week's launch of the two-tier foreign exchange market first announced in the 1986 budget. This has resulted in a major devaluation of the Naira from 65 US cents to 28 cents.

The package includes sweeping liberalisation of both import and exchange controls, reduction in government spending (the 1986 budget programme has been revised twice so far this year), the relaxation of price control, moves to free the domestic money and capital markets, a major review of investment plans undertaken by the World Bank, and substantial devaluation of the currency.

With the most difficult element of the package now in place, Nigeria this week began negotiating the subsequent stages of the game plan.

The first of these is the obtaining of a $250m bridging loan from Western central banks needed to finance the initial stages of the two-tier foreign exchange market.

This will be followed by the announcement of a $450m trade policy loan from the World Bank and then by negotiation first with the London Club of commercial bank lenders to Nigeria and subsequently with the Paris Club official lenders (export credit agencies, etc) to re-schedule the country's foreign debt.

Nigeria's foreign debt difficulties have long centred around its short-term foreign trade obligations rather than its much more manageable medium and long-term borrowings.

Estimates of the short-term debt overhang continue to vary widely. But it is now being officially estimated at some $4bn that accumulated in 1982-1983, to which must now be added a further $2½bn that has accumulated over the past year.

The standby agreement is absolutely central to the entire strategy because it will unlock the door to the extra financial resources Nigeria must attract.

These are estimated at some $1bn annually from the World Bank over the 1987-89, supplemented by some $2bn new money over the same period from the commercial banks, and by relief from debt re-scheduling.

The success of the strategy is going to depend largely on the willingness, or otherwise, of the commercial banks to provide the additional resources.

Last month, the banks agreed to extend a freeze on repayments of principal due on the country's $7bn medium-and long-term commercial bank debt. An IMF agreement could pave the way to a full re-scheduling of the debt.

OVERSEAS NEWS

Sanctions against Pretoria would put fresh pressure on Harare, Tony Hawkins writes

Zimbabwe's growth loses momentum

CONVENTIONAL wisdom holds that South Africa cannot afford a prolonged sanctions campaign because it needs foreign investment and growth to satisfy the aspirations of its young and rapidly growing population.

The same is true, however, of most — if not all — of South Africa's neighbours, including Zimbabwe, whose Prime Minister, Mr Robert Mugabe, is at the forefront of the campaign for tougher economia measures against Pretoria.

By the standards of the region, Zimbabwe's broadly based economy is in remarkably good shape, with real gross domestic product (GDP) increasing 7 per cent last year.

But all the indicators suggest that demanding times are ahead, with GDP growth expected to slip to 3 per cent this year, well below the rate required to cope with nearly 100,000 school-leavers looking for jobs.

Underlying tha economic forecasts is a major unpredictable factor: what could be the consequences of South African retaliatory measures which might be provoked by sanctions.

Zimbabwe's healthy growth last year was largely the result of a strong rebound. Crop volumes rose some 30 per cent while the value of output is estimated to have increased more than 50 per cent.

The combination of a strong farm-based recovery and a 30 per cent increase in import allocations in the second half of 1985 resulted in manufacturing production increasing 11 per cent to record levels.

However, as the rebound stimulus to the economy wears off, so economic growth has lost momentum. Erratic rains in the 1985-86 growing season resulted in lower cotton and maize production, but tobacco volumes were up some 12 per cent.

Strong leaf prices on the Harare auction floors, where average prices this year are expected to be some 17 per cent higher than in 1985, will boost the value of agricultural production this year by some Z$90m (£38m), but reduced maize and cotton crops and lower livestock earnings suggest that agricultural output will rise by no more than 5 per cent.

At the same time, the main boost to manufacturing last year was increased textile production arising from a record cotton crop.

The smaller cotton crop and the fact that there has been no increase in real import allocations this year implies limited industrial growth of no more than 3-4 per cent.

Mining production volumes have stagnated in recent years and in the early part of this year were some 7 per cent below their 1980 levels and 12 per cent on the peak attained 10 years ago.

Despite this, production values have more than doubled since 1979, reflecting higher commodity prices — especially for gold, which is the country's second largest export—and the depreciation of the Zimbabwe dollar.

This year, mining expansion is forecast to slow to below 10 per cent from 15 per cent in 1985, with the bulk of the improvement coming from increased gold realisations.

While the government's stabilisation policies have succeeded in substantially reducing the current account payments deficit from a peak of Z$533m in 1982 to Z$102m in 1984, this has involved tight curbs on imports and the temporary 1984 ban (since lifted) on profit and dividend remittances abroad.

Over the next 18 months, prospects depend heavily on external influences: the weather during the coming cropping season, the state of the world economy and of commodity prices and, of course, the unfolding of the sanctions campaign against South Africa.

Good rains are needed during the next six months merely to ensure that this year's crop deliveries of around 1.7m tonnes are maintained.

This, however, is something of a Catch-22 situation, since, by the time the 1987 harvests start, Zimbabwe is likely to be carrying a maize stockpile in excess of 2m tonnes, enough to see the country through three bad years.

Production quotas for tobacco have been lifted and assuming normal rains, output could increase some 15 per cent, to 135m kgs. Tobacco, along with renewed cotton expansion, is the most likely source of growth next year.

The main downside risk is political: the impact on the economy of the sanctions campaign against South Africa. Mr Mugabe has threatened to go beyond the full package of Commonwealth sanctions, scrapping the trade agreement with South Africa and possibly banning profit, interest, dividend and even pension remittances to the south.

The unknown in the equation is how South Africa would retaliate. If it merely matches Zimbabwe's measures and allows the 90 per cent of landlocked Zimbabwe's foreign trade that uses its railways and ports to continue, then the damage to the Zimbabwe economy would be significant but far from catastrophic. In this situation, Zimbabwe might manage to substitute markets in some neighbouring African states for lost South African sales, which in 1985 accounted for about 10 per cent of total exports.

South Africa would also suffer, primarily from the loss of its export market and dividend and interest income from its Zimbabwean investments.

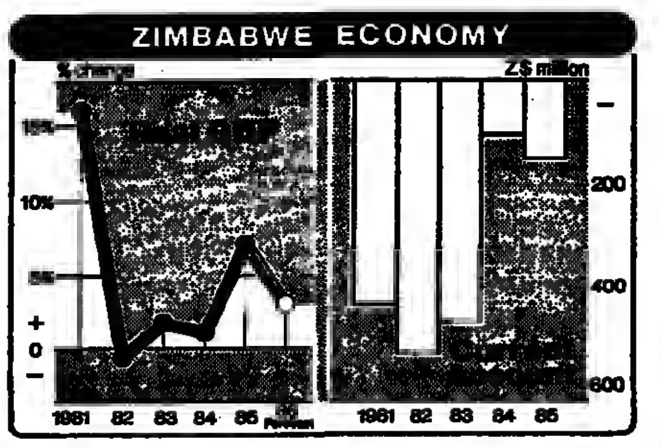
But economic confrontation would seem destined to escalate beyond these relatively modest levels. This could have far-reaching effects on the entire sub-continent, damaging Zimbabwe's economy both directly and indirectly.

Meanwhile, there continues to be an urgent need to tackle a crucial short-run problem: the burgeoning budget deficit of more than Z$1bn, estimated at 12 per cent of GDP in 1986-87.

In part again, this is linked to the South African crisis, since military expenditure has had to be increased to defend against anticipated incursions by South Africa and to protect the rail line and oil pipeline through neighbouring Mozambique.

But the budget deficit also has its roots in a more worrying problem, that of rapidly escalating education expenditure, a looming unemployment problem and a fast-growing domestic debt-service burden.

Unemployment was estimated at 12 per cent two years ago and is now close to 15 per cent. This year approaching 100,000 schoolleavers will come in to the labour market while, at best, some 5,000 to 8,000 new jobs may have been created. This is bad enough, but pales into relative insignificance against the problem of the early 1990s, when the number of school leavers with good secondary education will average 300,000 a year.



NZ begins 'fairer tax system'

By Dai Hayward in Wellington

NEW ZEALAND yesterday entered what Prime Minister David Lange described as a "new fairer tax system" with the introduction of the Goods and Services Tax—its version of Value Added Tax—the removal of sales tax on most commodities, and the introduction of wide-ranging tax and welfare benefits.

Many of the public and small businesses are still confused at the application of GST which is a flat 10 per cent tax on every stage of a transaction or service.

The arithmetic is, however, complicated by the removal of sales tax, which was levied at wholesale level, and the fact that many businesses and shops have taken the opportunity to increase retail prices, hoping the blame for this will be attributed to GST and the Government.

For retailers, October 1 marked the end of a month-long pre-Christmas type of spending spree in which millions of dollars poured over shop counters. Credit card companies estimate that spending by card holders was up 25 per cent in September.

The Government estimated the 10 per cent GST will add 5 per cent to New Zealand's inflation—pushing it back to about 15 per cent. To compensate for this, it has reduced income tax.

However, the biggest tax cut—from 57 cents in the NZ dollar to 48 cents in the dollar has been given to the higher paid, with smaller tax cuts applying to those on middle incomes who make up the bulk of tax payers.

In New Zealand, the only items which will not carry GST are rents, land sales and private houses.

The Government deferred the introduction of GST for six months when it lost a by-election at Timaru last year—a seat held by Labour for more than 50 years. Part of the blame for this was attributed to public concern at the proposed GST.

Wholesalers and middlemen in the production and marketing chain will pay GST as they buy any particular product but will then claim it back again when they sell. Only the final consumer or buyer will not obtain a refund.

MOROCCO'S NEW PREMIER

Laraki takes over at critical time

BY FRANCIS GHILES


Mr Azzedine Laraki

MR AZZEDINE LARAKI, who has just been appointed Prime Minister of Morocco by King Hassan, takes up his post at a time when the Kingdom is engaged in delicate negotiations with the International Monetary Fund for a new standby loan.

The SDR 200m (£120m) standby credit extended to the Kingdom just over a year ago was suspended last February after SDR 10m only had been drawn.

To fall into compliance with the IMF, Morocco would have to clear up its external arrears (trade credits alone account for arrears estimated at $170m (£118m)), keep a tight lid on credit to the government, reduce the budget deficit and the basic foodstuffs subsidy allocation.

Morocco has successfully rescheduled its official debt through the Club of Paris but is still negotiating with its international bank creditors about the rescheduling of its bank debt for 1985-86.

It has been paying interest regularly but the long-drawn-out nature of the talks have upset many bankers.

Morocco's foreign debt stands at about $4bn. Debt repayments this year will cost $2.1bn and Morocco can count on $1.7bn-worth of relief.

The budget deficit was trimmed last year by two percentage points to 6.1 per cent of Gross Domestic Product but that figure was achieved only if one discounts the Dirham $9bn in arrears on domestic government debt. Food subsidies meanwhile are being slowly cut.

A number of reforms wished on the Moroccans by the IMF and the World Bank are, however, being implemented. The liberalisation of trade is proceeding apace and the monopoly on exports of fruit and vegetables of the Office de Commercialisation et d'Exportation has been abolished.

The introduction of VAT is going ahead, an essential reform in a country where most wholesalers and many medium size factories escape tax.

Tha new Prime Minister who has been caretaker Prime Minister for over a year because of the poor health of his predecessor, Mr Mohammed Karim Lamrani, is a much respected Minister of Education. He will benefit from the fact that Morocco has had a record crop this year, a crucial element in a country where half the population lives on the land.

Syria's Christian ally vows to seize E. Beirut

MR ELIE HOBEIKA, the ousted Christian militia chief, vowed yesterday to try again to seize control of East Beirut, after his forces were defeated in a weekend battle that killed at least 33 people. Reuter reports from Zahle, Lebanon.

Mr Hobeika, a close ally of Syria and head of the main Christian militia, the Lebanese Forces, until he was toppled in savage East Beirut fighting last January, also called for a special relationship between Lebanon and Syria.

"We could not achieve our goal in the September 27 operation, but there will be another date and another attempt," he told reporters at a hotel in Syrian-controlled east Lebanon.

Mr Hobeika's Christian rebels thrust into East Beirut from the mainly-Moslem west across the city's Green Line divide last Saturday in an attempt to wrest the area from Mr Samir Geagea, his anti-Syrian successor.

It was the first major ground assault by militiamen across the battlefront since it was stabilised shortly after civil war erupted in 1975.

Opera tour is logistical feat

BY MARIE MYERSCOUGH IN TOKYO

A CLAIM that the current tour of Japan by Britain's Royal Opera is one of the greatest logistical achievements of our time seems more and more deserved.

The month-long tour, which continues until October 11, involves 400 performers and staff and 250 tonnes of equipment being shunted between four venues in three cities for 18 performances of four operas. The tour involves e total of 90 different movements in and out of airports.

"This could only be made to work in Japan," Mr Tom Macarthur, the opera's technical director, said. He and the rest of the opera's staff had been surprised by Japanese competence and attention to detail.

Apart from the demanding schedule, the tour is unusually complicated because Japan has no opera house or any hall that could be held for the whole tour as a home base.

It was necessary to book a variety of halls for rehearsals, performances and technical work.

The only place the company fully shares is e hotel in suburban Tokyo, carefully chosen not for its beauty or charm but for its openable windows – to help preserve the vocal equipment of singers such as Dame Kiri Te Kanawa, Cynthia Haymon, Jon Vickers, José Carreras and Agnes Baltsa.

So far, the tour's productions of Turandot, Carmen, Samson et Dalila and Cosi Fan Tutte seem to have been a great success. All performances have been sold out, despite ferociously high ticket prices ranging up to £125 ($180) each.

The Japanese opera-goers, who have no national company of their own, have been lavish in their applause

Aquino rejects call to free Communist leader

BY SAMUEL SENOREN IN MANILA

PRESIDENT Corazon Aquino of the Philippines yesterday flatly rejected a demand by the leftist coalition National Democratic Front (NDF) for the release of the captured leader of the Communist Party of the Philippines, Mr Rodolfo Salas.

Mr Salas was arrested by security agents on Monday while about to undergo medical treatment in Manila.

Mrs Aquino's decision, reached after convening the National Security Council, virtually dashed hopes of reviving the failed negotiations for e ceasefire with the Communist New People's Army.

Instead, Mr Salas, who succeeded Mr Jose Maria Sison as party chairman after Mr Sison's arrest in 1977, will be tried on rebellion charges. Mr Sison was among more than 500 political prisoners freed by Mrs Aquino after she took power last February.

WORLD TRADE NEWS

Greece in joint effort with Israel to boost tourism

BY ANDRIANA IERODIACONOU IN ATHENS

GREECE and Israel have agreed to co-operate in attracting tourists from the US to the two countries. Many American travellers have stayed away from the Mediterranean in the past two years for fear of terrorist attacks.

Tha agreement, announced in Athens this week, was reached during a visit to Israel last month by a Greek delegation headed by Mr Costas Kyriazis, president of the National Tourist Organisation of Greece (NTOG).

Under the agreement the Greeks and the Israel Tourist Organisation are to set up joint tourist programmes for the 1987 season, featuring combined visits to Greece and Israel and possibly to additional destinations such as Cyprus and Egypt.

They will also launch joint publicity and promotion campaigns in the US with the participation of Olympic Airways and El-Al, the Greek and Israeli national air carriers.

Representatives of the Greek and Israeli tourist industry will carry out training visits to the US.

The first blow to the American tourist trade in Greece came in June 1985 when the hijacking of e TWA jet flying from Athens to Rome led Washington to issue a travel advisory notice lasting several weeks against using Athens Airport. According to NTOG figures, Greece lost $106m in revenue because of a resulting 20 per cent slump in US tourist arrivals.

Figures so far this year show that American arrivals have fallen by a further 60 per cent. The cruise sector, which accounts for about 45 per cent of Greece's tourist revenue, and large hotels in Athens have been particularly hard hit.

The agreement has a political dimension as well as an economic one. Greece's relations with Israel hit a low in 1981 when the pro-Palestine Liberation Organisation Greek Socialist Party came to power.

For the past year and a half, however, Athens has been seeking to improve the climate through co-operation in areas such as tourism, agriculture and culture and exchanges of visits on the level of Foreign Ministry secretaries general.

Aid finalised for Indian computer purchase

By John Elliott in New Delhi

A FINANCIAL aid package totalling $27m has been finalised in Washington to cover the initial costs of a contract won by Control Data Corporation of the US to set up India's first mainframe computer manufacturing plant with the Government-owned Electronics Corporation of India (ECIL).

The package includes a $7m grant from the US Agency for International Development and a $20m 10-year loan at 7.4 per cent from the Export-Import Bank of the US.

This is the first sale financed by the aid agency in conjunction with the bank under a mixed credit programme introduced by the Trade and Development Enhancement Act. It clinched the order for Control Data against its main rival, Bull of France.

Mr Peter Mcpherson, administrator of the aid agency, and Mr P. K. Kaul, India's ambassador to the US, signed the financial agreement in Washington this week.

The $27m will cover the cost of the first phase of the import of manufacturing equipment, components and technology know-how for a technology transfer programme which is expected to produce 400 to 600 Cyber 830 and 810 main-frame computers in India within five to seven years.

US officials estimate that purchases from the US could amount to as much as $500m, although this will depend on the rate at which local manufacturing is built up by ECIL at its Hyderabad Headquarters.

Control Data was chosen by India nearly a year ago, but the contract has been delayed while the Indian Government gave the US assurances about the uses to which the computers would be put, ruling out nuclear weapon development.

The financial agreement has been signed at a time when the US and India are increasing their co-operation in electronics and defence ventures. The US has cleared several advanced computer sales to India in recent months and General Electric has received a letter of intent for the purchase of ten F-404 aero engines for use in the development of India's proposed light combat aircraft.

Mr Caspar Weinberger, US Defence Secretary, is expected to discuss these and other contracts when he visits India later this month.

Tony Walker in Cairo on production-sharing arrangements with foreign companies

Egyptian oil exploration under pressure

EGYPT IS reviewing its oil production sharing arrangements with foreign companies in an effort to encourage new exploration, which has been sharply curtailed by the price slump.

Foreign oil company representatives say, however, that Egypt is moving too slowly towards establishing a new formula based on a sliding scale determined by the world market. They predict that unless revised arrangements are announced soon there will be a hiatus in exploration activity in Egypt next year.

Mr Saleh Hafez, vice-chairman of the state-owned Egyptian General Petroleum Corporation, said in an interview that the new sliding scale would be introduced soon in an attempt to ensure that oil explorers maintain a reasonable level of activity in Egypt.

Mr Hafez, who is responsible for exploration within EGPC, said there had been a reduction of about 25 per cent in oil exploration in Egypt following the price collapse.

Foreign oil company representatives are also increasingly critical of EGPC's pricing policies which lag well behind the market. They cite the case this month when EGPC increased prices after there was e brief spurt in the market which soon subsided.

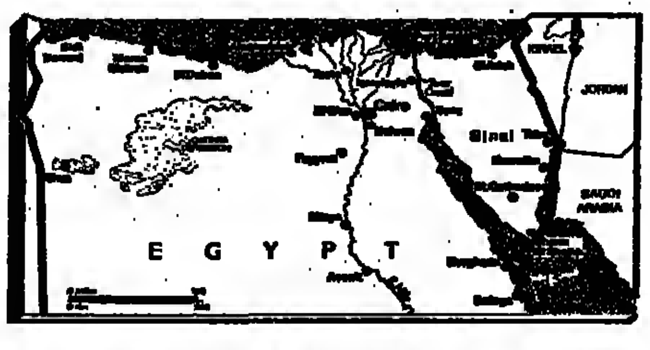
Before that EGPC's prices had been realistic and production in the early part of September shot up to 940,000 barrels a day (about 500,000 is for domestic consumption). It is believed to have slumped again to below 800,000 b/d.

"They really have a problem in the way they set prices," said an oil company representative. "With the latest increase on September 18 (prices increased about 60 cents e barrel) they've got it wrong again."

Egypt is negotiating several agreements with companies granted provisional exploration leases. Britoil of the UK, which has a lease in the Western Desert, is understood to be discussing with EGPC new profit-sharing arrangements based on a sliding scale above and below $18 a barrel.

Most foreign oil companies in Egypt receive 40 per cent of production in cost recovery. Of the rest, 75-80 per cent goes to EGPC and the remainder to the foreign partner.

Mr Hafez said Egypt was anxious to show that it was "dynamic" in recognising realities of the impact of the prices slump on exploration. He also noted, however, that Egypt remained "attractive" to oil explorers because of its "political stability."



Egypt's review of production-sharing arrangements coincides with quickening interest in prospects in the little explored Western Desert, which has already yielded some useful finds and may well prove in time to be an important oil province.

Phillips, Conoco and Texas International of the US and Denison Mines of Canada are preparing to start production from new Western Desert fields 400 km north-west of Cairo on the northern edge of what is known as the Qattara Depression.

Other foreign oil explorers are showing interest in the region, including British Petroleum et the head of a consortium comprising Broken Hill Proprietary of Australia and Idemitsu, the Japanese oil trading company which successfully bid on a concession adjacent to one of Conoco's blocks.

According to Mr Hafez, a new 167 km pipeline connecting Denison's Meleiha field to a loading facility on the coast at Hamra, west of Alexandria, will be completed by the end of the year.

Conoco and Phillips are building spurs from their fields to the main Meleiha to Hamra 16in diameter pipeline. Conoco says production from its Khalda and Salam Fields and two smaller deposits might range between 30,000-50,000 b/d.

Denison may have production of some 20,000 b/d from its Meleiha field and Phillips of the order of 10,000-15,000 from its Umbarka deposit.

These estimates, which are based on e limited drilling programme, indicate that the Western Desert might soon account for more than 10 per cent of Egypt's oil production which last year averaged 876,581 b/d.

The Western Desert could in time rival Egypt's main Gulf of Suez fields, which account for most of present production. Mr Hafez said the potential oil province had revealed some of its geological secrets, but explorers had barely scratched the surface.

"It's very attractive for investors because of the fact it's an oil province," he said, "with low onshore costs of production (about $5 per barrel) and not far from existing facilities." Western Desert finds are being made in cretaceous and jurassic rock from 6,000 to 10,000 feet.

Indonesia seeks improved defence contract terms

BY JOHN MURRAY BROWN IN JAKARTA

INDONESIA is setting its sights on improved terms for several defence contracts in the face of this year's 50 per cent fall in oil revenues. Military analysts in the capital Jakarta say government officials are seeking to reschedule payments on the $337m contract for 12 F-16 advanced fighters, recently signed with General Dynamics of the US.

A $60m deal for four Leander class Vanspeijk frigates signed with the Netherlands in February is also said to be under review.

This follows a recent statement by General Poniman, Indonesia's Defence Minister, that soma military procurements would have to be renegotiated. "Orders for which contracts have been signed will not be affected, but those for which we have no commitment will be reviewed," he told Indonesia's parliament.

He added that an order for British Aerospace's Rapier land-to-air missiles signed last year would not be affected.

However, with defence spending set to fall next year from the current $337m in line with overall budget cuts competition for several lucrative contracts is likely to intensify.

UK defence sales to Indonesia were last year worth $120m. Apart from the Rapier deal, Britain is also out to win the key design contract for the new generation of Indonesian frigates, to be built in conjunction with the state-run shipyard PT Pal.

However, Vosper Thornycroft of Southampton, the UK contender, which last year completed a $40m refit of three Tribal frigates for Indonesia, faces stiff competition from Dutch and German shipyards.

Sweden wins forest product plant orders

By Sara Webb in Stockholm

SUNDS DEFIBRATOR, a wholly-owned subsidiary of Svenska Cellulosa, the Swedish forest products group, has received two orders worth a total of SKr 135m ($19.6m) from forestry companies in Greece and Australia.

The Greek forestry products co-operative Pindos has placed an order for the construction of a factory, and the delivery and installation of equipment.

The order is worth about SKr 90m and the factory will be the first of its kind in Greece, using local hardwoods to produce about 40,000 cu m of fibreboard a year. Production is due to start in the summer of 1988.

The Australian forestry company Anfor has ordered a fibreboard factory complete with chip silos and equipment for chip washing and fibre treatment. The order is worth about SKr 45m and production (of 90,000 cu m of fibreboard a year) is due to start next summer.

Canada makes compromise in lumber dispute with US

CANADA has made a compromise offer in the lumber pricing dispute with the US to head off threatened countervailing action by the American lumber industry, Reuter reports from Ottawa.

Ms Pat Carney, the Canadian International Trade Minister, did not disclose details, although industry sources expect Canada to impose some form of export levy on its lumber shipments to appease the US lumber companies troubled by cheap Canadian imports.

Mr Michael Wilson, the Canadian Finance Minister, was to raise the plan in talks with Mr James Baker, the US Treasury Secretary. Mr Wilson said he expected the US to drop the countervailing duty suit immediately.

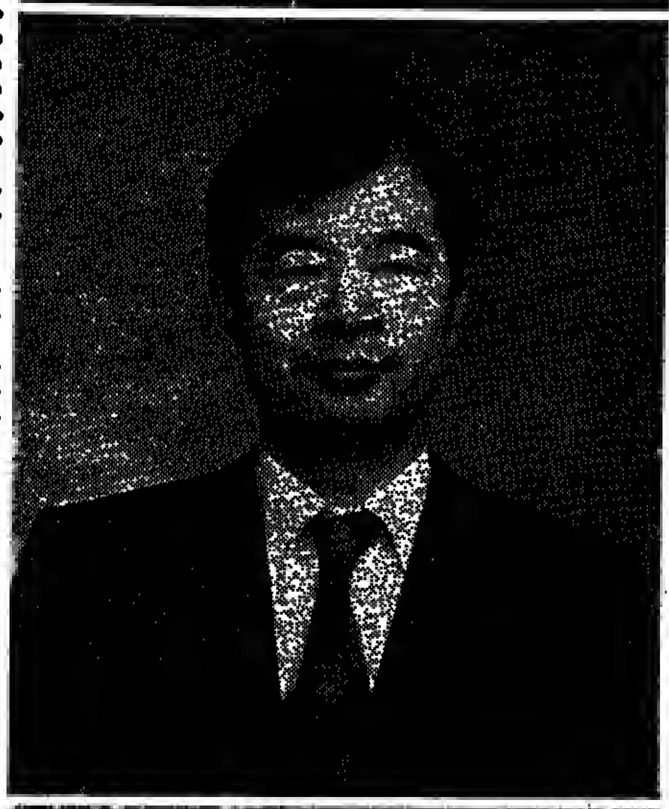
Ms Carney said the offer included raising stumpage fees charged to Canadian companies to harvest forest lands by an unspecified amount. The US companies have complained that stumpage fees in Canada are artificially low and amount to a subsidisation of Canadian industry.

The Minister said the offer "represents a major effort to ward off continuing attacks on Canadian softwood lumber exports to the US." She said the offar was not negotiable and was conditional on withdrawal of the countervailing action by the US lumber industry.

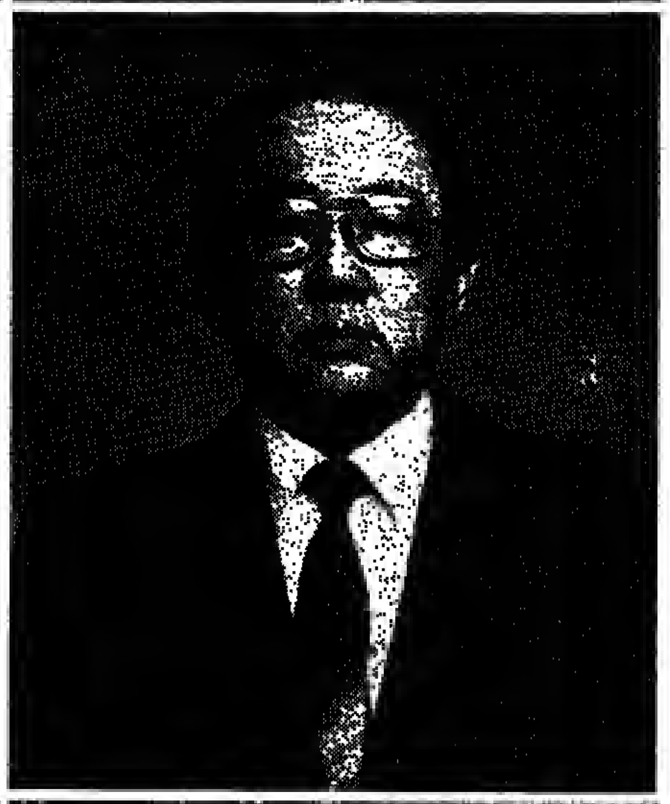
The US Commerce Department is to rue next week on the countervail application. The industry is seeking duties of up to 36 per cent on Canadian softwood lumber shipments worth $3bn yearly.

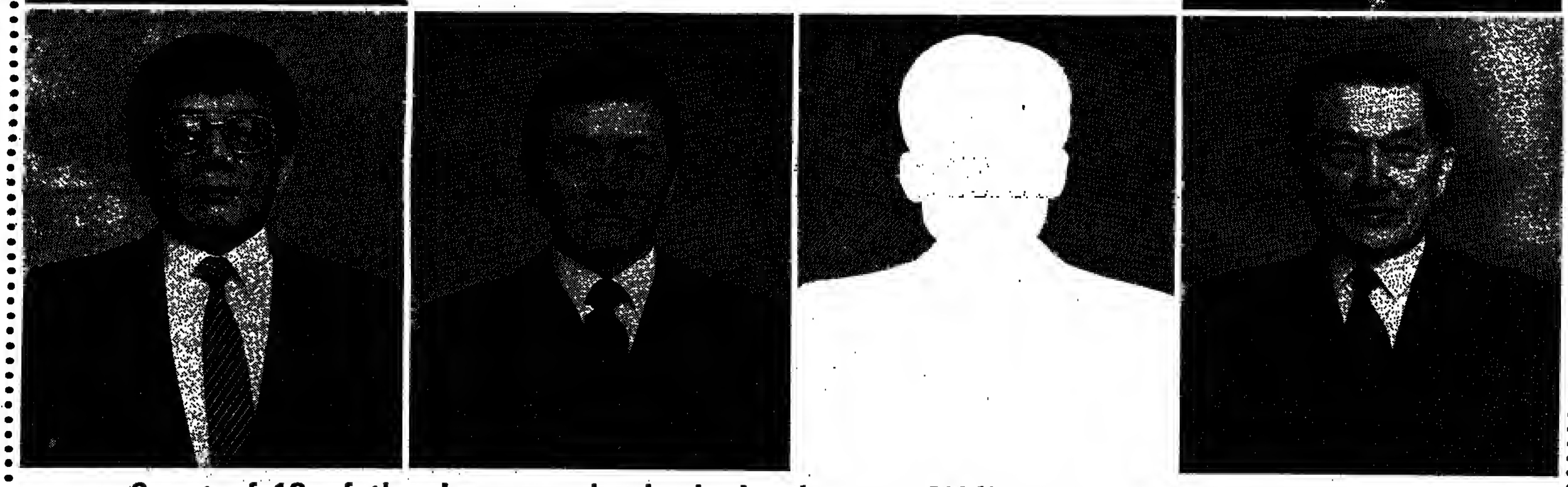
"We are seeking to protect one of Canada's largest employers, the forest industry, from continuing harassment from American producers," Ms Carney said.

● A resolution urging President Reagan to persuade Japan to lower its tariff on imported chocolate was approved by the House of Representatives on Tuesday as members called for more open trade between the two nations.



THEY DIDN'T CHOOSE THEIR OCCIDENTAL BANK ACCIDENTALLY.





9 out of 10 of the Japanese banks in London use Midland for their business needs.

When a Japanese banker is looking for a western bank to work with, he takes a long time over the decision.

He needs someone he can trust. Someone who can work as fast as he does. And someone he can develop a long-term relationship with.

Measured against these exacting demands, our performance seems really quite impressive.

And as well as being a 'banker's bank' for the most demanding banks in the world, we've also proved ourselves to be a businessman's bank in the same circles. We've won, in fact, 60% of the banking business for Japanese manufacturers investing in Britain, in the last two years.

We had to prove ourselves to win these accounts too – by offering a fast, technologically advanced service, which is 100% reliable.

Every day, Group Treasury handles the equivalent of £2 billion for Japanese banks. (Because it's the best in London.)

Every day, our electronic bank system handles around £800 million for them. (Because it's the fastest in the world.)

And, every year, we handle more and more money for our Japanese colleagues.

Moreover, the Japanese aren't the only financial experts to appreciate our service.

Because over 70% of the American banks in London also use us for their business needs.

Demonstrating that, although East is East and West is West, here in Britain, there is no doubt who is the best. To find out how we can help you, contact your Midland Business Manager through your local Midland branch.

Midland Business Banking.

WE BACK BUSINESS. WE DON'T HOLD BUSINESS BACK.

UK NEWS

GOVERNMENT PREPARES MAIL SHOT TO 16M HOMES

Gas flotation aimed at customers

BY MAX WILKINSON, RESOURCES EDITOR

THE BRITISH Government's campaign to persuade the public to subscribe to the forthcoming sale of British Gas shares moves into a higher gear this month with the largest direct mail campaign ever undertaken in Britain.

Some 16m "personalised" letters (written by a computer) will be sent out from Sir Denis Rooke, British Gas chairman, outlining the special concessions for customers when British Gas is floated at the end of next month.

These are:

● The option of a £10 rebate on gas bills for every 100 shares purchased at the flotation and held for three years. The alternative, available to all subscribers will be 10 bonus shares for each 100 held for three years. The maximum rebate will be £200 ($289). The upper limit for bonus shares has yet to be fixed.

● A guaranteed minimum allocation of £250 worth of shares will be available for each "household" connected to the gas mains. This can be used either by a husband or wife but not both. The Government is making no special provision for cohabiting persons. Mr Tony Alt, director of Rothchilds, which is advising the Government on the issue, said they would "have to sort it out between themselves" as to who would be entitled to benefit. When they have done so, the name of the beneficiary must be registered with the new British Gas Share Information Office before November 14.

● Registered consumers will also receive special preference in the allocation of shares in excess of the guaranteed £250 worth in the event of heavy demand.

In an effort to attract as many shareholders as possible the Government will set the minimum investment stake at no more than £150 for 100 British Gas Shares. This compares with a minimum of £250 when British Telecom was floated. Payment will be in at least two instalments, though the number has not yet been announced.

The mood of optimism which the Government is trying to create was summarised yesterday by Mr Alt addressing journalists in London. He said: "The British Gas share offer is going to be the biggest national event of its kind ever seen."

He said the share offer had been especially designed to be simple, attractive and easily available to all small investors as well as to the bigger institutions.

Another way that the Government hopes to create interest will be to foster the belief that the shares will be sold at a discount so that subscribers can expect to see a quick profit.

Mr Alt hinted at this when he said he could be confident that the issue would be a success because "we will take the market conditions into account when fixing the price."

He said the large amount of interest shown by the 70,000 to 80,000 enquiries a day also pointed to a successful flotation. He said enquirers did not seem to be deterred by the Labour Party's threats of renationalising the corporation.

The 90,000 British Gas employees will be able to take advantage of the special privileges offered to gas consumers as well as receiving free shares worth an average of about £110 each.

Mr Alt refused to comment on the likely costs of the flotation, the costs of the special benefits to customers, or on the likely value of the flotation.

The next phase of the Government's publicity campaign will be centred on advertisements seeking to give information about the offer, following the initial advertising campaign intended merely to create awareness.

During the summer 16 "roadshows" have presentations to about 3,000 people in financial institutions, brokers and other professionals. The "pathfinder" prospectus which will give general details of the offer is due to be published at the end of this month. This will be followed by the full prospectus late next month for flotation at the end of November to early December.

Ban expected on Libyan airline

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT

THE CABINET is today expected to endorse a recommendation by senior ministers to ban Libyan Arab Airlines (LAA) flights to Britain.

The recommendation was adopted yesterday by ministers from the departments concerned – the Foreign Office, the Home Office and the Department of Transport – after the 25-year jail sentence on an Arab terrorist in London last week.

After the trial at which Rasmi Awad, a 43-year-old Jordanian doctor and member of the extremist Abu Nidal group, was found guilty of trying to organise a terror campaign in Britain last year, the Foreign Office issued a statement that the case "clearly implicates Libyan Arab Airlines in terrorist-related activity."

According to evidence given at the trial by a Libyan double agent, a contact arriving on a flight from Libya at Heathrow airport, wearing LAA uniform, handed him a bag containing four high explosive grenades.

No British airline currently flies direct to Libya.

● British nationals visiting Pakistan will have to obtain a prior visa, the interior ministry announced. The restriction will be effective from January 1, 1987.

Renault reviews future of truck unit

RENAULT VEHICULES Industriels (RVI), the commercial vehicle subsidiary of the state-owned French group, is reconsidering the future of its UK truckmaking subsidiary which employs 1,300 at Dunstable, Bedfordshire, in the light of its continuing losses, Kenneth Gooding writes.

Mr Philippe Gras, president of RVI, said yesterday that "closure is an extreme option" but would not rule it out entirely.

The RVI factory, which produces Dodge and Renault vehicles, is across the road from the General Motors Bedford plant where medium and heavy truck output will cease by the end of this year and 750 jobs will be lost.

Mr Gras pointed out RVI invested about £100m in the UK subsidiary, Renault Truck Industries (RTI), to buy the shares and to cover losses since 1981, but it remained the only one of the group's subsidiaries which was not moving towards financial break-even in spite of the tremendous efforts made to pull it round.

The main problem was that the company's Dodge truck products were getting old, but RVI was not able to replace them fast enough with new Renault vehicles – particularly as those new trucks must have a high UK content to appeal to municipal buyers who make up the greater part of RTI's customer base.

□ BRITAIN'S second-largest union, the Amalgamated Engineering Union (AEU), is set to sign a new single-union agreement with a high-technology company.

Dunlop, the rubber company, has told local officials of the AEU that it intends to recognise the engineering union alone at its new Tyneside plant in north east England which is due by the end of next year to begin manufacturing cable for off-shore oil rigs. Work on the £10m plant's construction is due to begin next week.

The company's indication of intent to reach a single-union deal is a further indication of the growing trend of companies establishing new factories in the UK to want to deal with only one union.

□ BUILDING societies are in danger of pricing themselves out of the mortgage market, Mr Michael Bridgeman, Chief Registrar of Friendly Societies said in his annual report.

"It must be doubtful, whether, in the long-term, societies can afford to have rates offered to investors and charged to borrowers running above market rates, to the extent to which they have in the past, if they are not to lose out to their competitors," he said.

□ BRITANNIC Assurance and the West Bromwich Building Society have agreed to sell each other's products in what is believed to be the first deal of its kind between a building society and an insurance company.

Britannic's field staff will channel mortgage business to West Bromwich. Britannic will also open building society agencies at 62 of its offices, at which policy-holders will be able to open savings accounts and withdraw cash. In return, West Bromwich will channel an increasing amount of insurance business to Britannic.

□ SEAMEN yesterday voted to continue their occupation of the four Sealink UK ferries affected by the company's plan to rationalise its loss making Channel Island services with the loss of nearly 500 jobs. It is likely that the occupations which are disrupting ferry services to Guernsey will last at least till the end of the week.

□ SLUMP in numbers of American visitors to Britain this year continued into July, according to Government figures. There were some 37 per cent fewer tourists from North America in July this year in comparison with July 1985.

OBITUARY

Lord Kaldor: Labour's economic adviser

LORD KALDOR, economic adviser, to the Labour governments in the 1960s and early 1970s and one of the most inventive economists of his generation, has died at Papworth Hospital in Cambridgeshire, at the age of 78, George Graham writes.

Nicholas Kaldor, emeritus professor of economics at Cambridge University, came to prominence as an adviser on taxation policy in Britain and overseas.

He remained until recently an unofficial adviser to Mr Neil Kinnock, leader of the Labour Party, and one of the most persistent critics of Mrs Margaret Thatcher's economic policy.

Born in Budapest in 1908, Lord Kaldor graduated from the London School of Economics in 1930 and taught there until 1947. He became a fellow of Kings College, Cambridge, in 1949.

Among the leading post-Keynesian economists, his early theoretical contributions to economic thought centred on growth and distribution theory. His "Essays in Value and Distribution" remain influential.

One of the earliest advocates of an expenditure tax, he became an adviser on tax reform to a series of countries, including India, Ceylon, Mexico, Ghana, British Guiana, Turkey, Iran and Venezuela.

His advice brought fierce and often violent opposition, but he remained unrepentant.

"In retrospect," he wrote 20 years ago, "I do not think the advice I gave was wrong. In most underdeveloped countries, where extreme poverty co-exists with great inequality in wealth and consumption, progressive taxation is, in the end, the only alternative to complete expropriation through violence and revolution."

As taxation adviser to three Chancellors of the Exchequer – Mr James Callaghan, Mr Roy Jenkins and Mr Denis Healey – Lord Kaldor remained a fertile deviser of new schemes. Often viewed as an oddball, he was still likely to produce five or 10 good ideas a day.

Lord Kaldor

Selective Employment Tax, "the most abused but also the cheapest new tax ever invented," as the New Statesman described it in 1971, was his brainchild.

Designed to control wage inflation without curbing economic growth, it sought to tax the service sector while subsidising employment in the manufacturing sector, and he defended it ferociously against criticism.

More popular with industry were stock appreciation relief and the regional employment premium, which he is credited with devising.

He was created a life peer in 1974. Lord Kaldor became in the early 1980s a leader of the attack on Mrs Thatcher's economic policies with his book "The Scourge of Monetarism" and a barrage of letters to the press.

New-look drug stores win 20% of market

BY CHRISTOPHER PARKES

THE NEW breed of drug stores which started to move into UK retailing about 10 years ago has captured almost 20 per cent of the market for over-the-counter medicines and other consumer goods traditionally sold by chemists, according to a report just published by Verdict Research.

Turnover in the newcomers' outlets increased by 200 per cent in the first five years of the 1980s, it says, while chemists' sales, excluding National Health Service prescriptions, rose by only 50 per cent.

Led by Superdrug, which now has more than 250 shops, the drugstore business has attracted many imitators, and direct competition between the various chains is emerging.

Superdrug, expanding out of the south east of England, is the only company with a national network of outlets. However, Share has now reached the north of England in its steady movement out of Southampton. Tip Top, established in Yorkshire, has spread to Scotland and the Midlands.

Verdict says that the recent acquisition of Medicare by the Dee Corporation will intensify head-on competition between drug stores. "Dee's financial strength ... and the similarities between drug store and supermarket operations indicate the arrival of a formidable new power in the market," it claims.

"This is not necessarily bad news for drug stores because the format may well thrive on more outlets and more promotion. For chemists the outlook is less attractive."

Apart from Boots and Underwoods, the report says, most multiple chemists cannot compete with the drug stores on price. They often lack the aggressive retail skills of the newcomers.

While the sheer size of Boots, which has more than 1,000 stores, will enable it to hold its own against other chemists, the study concludes, "the ability to stand up to drug stores is another matter."

Verdict on Chemists and Drugstores, £325. Verdict Research, 54 Britton Street, London EC1M 5NA.

'Decades' before nuclear power can be phased out

BY IVOR OWEN

Labour Party in Blackpool

IN A delicate balancing act Labour leaders sought to resolve their dilemma over energy policy by making it clear that it will be well into the next century before a promise to phase out the use of nuclear power can be fully implemented.

The inevitability of the phasing-out operation being a "decades-long process" was stressed from the platform by Mr Eddie Haigh, of the Transport and General Workers' union.

He produced this timescale – the key element in what many delegates obviously regarded as a "facing both ways" formula – in replying, on behalf of the national executive committee, to the stormiest debate of the conference so far in which Mr Arthur Scargill, the controversial president of the National Union of Mineworkers, was a central figure.

To the relief of the leadership, an NEC policy statement undertaking to reduce Britain's dependence on nuclear power as part of a co-ordinated and planned energy policy was approved by the two-thirds majority – 4,509,000 to 1,846,000 – needed to virtually ensure its inclusion in the party's election programme.

A composite resolution moved by Mr Scargill, who flatly refused to accept the reservations which the national executive sought to attach to it, was approved by just under a two-thirds majority – 4,213,000 to 2,143,000.

This resolution implied that the phasing out of nuclear power should be completed within the lifetime of the next Labour Government and before the debate started the NEC made it clear that this timetable was unacceptable to Mr Neil Kinnock, the Labour leader, and his colleagues.

An emergency resolution sponsored by the electricians' union – the EETPU – sought to align the party with the policy of the Trades Union Congress and provide for a halt to the building of any new nuclear stations, pending the outcome of an inquiry into safety aspects raised by the Chernobyl disaster in the Soviet Union It was defeated by 4,130,000 votes to 2,150,000.

Opening the debate, Mr Scargill contended that workers who lost their jobs through the rundown of the nuclear power stations could be absorbed into new employment during the course of the de-commissioning process and in the new generation of power stations – mainly coal-fired – which would take their place.

Bluntly rejecting the reservations expressed by the NEC, he insisted that the thermal oxide reprocessing plant now being constructed at Sellafield in north-west England was as unwanted as the two Advanced Gas-cooled Reactor nuclear stations now under construction at Torness in eastern Scotland and Heysham in Lancashire.

Mr Eric Hammond, leader of the electricians' union, sailed through the heckling which marked his arrival at the rostrum and called on delegates to back the rational approach to nuclear power adopted by the TUC.

He annoyed left-wingers by recalling that the Soviet Union, despite the disaster at Chernobyl, had already decided to further expand its nuclear power industry

Mr Hammond scornfully dismissed the assurances given by Mr Scargill about the protection which would be afforded to workers in the nuclear power industry who lost their jobs.

Mr Ron Todd, general secretary of the Transport and General Workers' Union, advocated the acceptance of the reservations expressed by the national executive about the resolution moved by Mr Scargill.

Campaign for motor industry

By Peter Riddell

THE LABOUR Party yesterday launched a campaign to reverse the decision by General Motors (GM) of the US to cease truck and bus manufacture in the UK and to prevent cuts in the operations of the Rover Group, formerly BL.

The campaign was announced in Blackpool yesterday by Mr John Smith, the party's trade and industry spokesman, accompanied by Labour candidates for the several marginal constituencies with motor industry interests.

Mr Smith stressed the urgency of the campaign in the light of the recent announcement by GM and the major review of the Rover Group's operations by Mr Graham Day, its new chairman.

Mr Geoffrey Robinson, a former car industry executive who is a Coventry MP and Labour industry spokesman, argued that there could be a viable future for Austin Rover in the middle range of car manufacture.

Mr Robinson stressed the need for Austin Rover to retain control of high-technology processes

He supported the continued alliance with the Japanese group Honda but maintained that it should be an alliance between equals.

Brandt criticises idea of joint European nuclear deterrent

BY TOM LYNCH

Willy Brandt: new concept of security

THE proposal by the Social Democratic Party-Liberal Alliance leadership for a joint European nuclear deterrent was implicitly criticised yesterday by Mr Willy Brandt, the former West German Chancellor, when he called for a "new phase of intent."

In a fraternal address to the conference, he said: "We do need a real European pillar to the Atlantic Alliance, but this should be a pillar for common security, not a pretext for a new twist to the nuclear arms race."

Mr Brandt wished success to President Reagan and Mr Gorbachev in their forthcoming meeting but said that whatever the outcome of the superpower summits, Europeans would have to make "serious peace-preserving efforts of our own." He said Europeans should be included in negotiations affecting their future.

He called for a successful outcome from the Mutual Balanced Force Reduction talks in Vienna, and end to all chemical weapons, an urged: "Life must be breathed into the idea of a nuclear weapon free zone in Europe."

Mr Brandt was given a standing ovation after his speech in which he said he did not wish to interfere in British politics, but spoke warmly of past links between European socialists and the Labour Party.

He added: "Europe needs a successful British Labour policy for many reasons. One is the new phase of the talks we want to bring about ost politik on a higher level, that great aim of the breakthrough towards disarmament."

Calling for "a new concept of security," he said: "It is my conviction, the sum of a rather eventful life, that there won't be peace without a European system of common security, and there won't be a European system of common security without a British Government playing a constructive role. We need a new kind of co-operation and we need it urgently in an increasingly dangerous world."

Mr Brandt called for a switch in resources so that some of the money spent on weapons could be redirected to fight world hunger.

He urged the Labour Party to hold to its visions of reform in the face of neo-conservatism and neo-liberalism.

"The time is not far off when the grotesque charade of conservatism will vanish. The weakness of the conservative offensive was and still is that its champions promise to a majority what only a minority will ever get.

"We should make good use of this weakness by stressing that women and men in the Labour and socialist movement are for widening the individual opportunities and freedoms of which others love to talk.

"History tells us that social decline and degradation were too high a price to be paid for a good life for a minority. Greater personal freedoms remain a hollow phrase if only a minority gets the benefit of it – as long as the so-called "free play" makes for an uneven distribution of opportunities."

He said the welfare state was not a "brake on the wheels of progress but rather the wheel on which progress can move."

Sections for blacks rejected

By Ivor Owen

BLACK DELEGATES suffered another heavy defeat when they renewed their attempt to establish their own distinctive place in the party's structure.

On a card vote, a composite resolution calling for the formal establishment of "black sections" with the same constitutional rights as the women's sections and the Young Socialists was defeated by 5,205,000 to 1,222,000.

There was a still more crushing defeat – 5,191,000 to 620,000 – for a further motion seeking to end the role of the party's black and Asian advisory committee.

Loading the demands for recognition of the unofficial "black sections" already inexistence, Ms Pearl Boyce from Newham North West protested that black people were seriously under-represented at all levels in the party.

Ms Frances Curran of the Labour Party Young Socialists, who replied to the debate on behalf of the national executive, had to struggle for a hearing as black delegates made clear their disgust at her insistence that the demands for black sections must be rejected.

Ms Curran maintained that the establishment of black sections would not fundamentally combat the question of racism

Old guard switches on to computers

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

PERHAPS one of the more unlikely sightings this week in the precincts of Blackpool's Winter Gardens has been that of Mr Ian Mikardo, the veteran left-wing MP for Bow and Poplar in London; trying to come to terms with the latest in computerised election management systems.

Such a head-on confrontation between the old guard of British politics and the sharp end of new technology serves to underline the extent to which local and national party organisations – for so long the domain of dog-eared filing cards – are catching up with the age of the computer.

All the major political parties are at least agreed that improved information systems will play an increasingly crucial role in determining the outcome of election contests, and the race is on to see off the competition.

The Social Democratic Party-Liberal Alliance claims to have made big advances in introducing computers, to the extent that the Conservatives, who have had a few setbacks with the implementation of their own systems, are accused of having made fiendish attempts to steal the enemies' clothing.

Labour used computers to good effect in the London Fulham by-election and, for the second year running, the party has been able to produce detailed read-outs of the National Executive Committee election results within hours of the votes being cast.

Labour's attempt to break down resistance to computerisation and improve the efficiency and impact of its grass-roots organisation is being masterminded by its computer advisory group, which was set up four years ago by Mr David Hughes, the party's national agent.

The group consists of party supporters around the country who volunteer their services to work alongside Labour's full-time officers in promoting the use of computers among Labour activists.

Mr Andrew Hudson, a member of the group, says that the prospect of an early general election has served to concentrate the minds of party supporters on the benefits of even limited computerised support. So far the group has around two dozen trained people around the country to spread the word but it wants many more in place by the time the election arrives.

Mr Hughes emphasises that local parties can now set themselves up with basic hardware for around £750, or perhaps make use of one already in the ownership of a supporter. The non-profit making group will then sell software packages to local organisations, for £5 each, enabling them to operate systems which can, for example, help to improve turnout on election day. They can also ensure updated membership lists and offer electronic mail services and basic word processing facilities.

One of the most common uses is in the computerised storage of electoral lists, which are now available from all local authorities under the Representation of the People Act. The trouble is, according to the computer advisory group, that councils make the information available in about 150 different formats, creating endless hours of work before it can be utilised.

Enter Mr Mikardo with a plan to come to the aid of new technology. "This is a tripartite issue: All parties have an interest in getting this sort of confusion sorted out. In an age of computers, this sort of information should be made available in a uniform manner."

No immunity for professional bodies

BY CLIVE WOLMAN

THE Government has decided against granting immunity to those professional bodies of accountants, solicitors and other groups that will be regulating the investment advisory activities of their members under the Financial Services Bill.

However, on a variety of other issues in the Bill, the Government has accepted the proposals made by the Securities and Investments Board (SIB), the proposed City of London regulatory overseer, and various industry lobbyists over the summer.

Mr Michael Howard, the Corporate and Consumer Affairs Minister, announced yesterday that a total of 350 amendments had been tabled to the Bill which is to be debated by the House of Lords in mid-October.

The amendments cover the following points:

● A central fund is to be set up to compensate investors if an investment firm becomes insolvent. All the self-regulatory organisations (SROs) will be obliged to participate and contribute towards the fund which will be administered by the SIB.

● The corporate treasurers of industrial companies and other non-investment businesses who give only incidental investment advice as part of their financing activities will be exempted from the provisions of the bill.

● Stock Exchange and international securities firms will be given an exemption from the criminal offence of market manipulation, when engaging in price stabilisation.

● The definition of futures contracts has been revised to take account of the criticisms of banks and other operators in the commodity, financial futures, currency and bullion markets that claimed that the bill would catch too wide a range of their activities.

In May, the Government decided to grant the SROs an immunity from being sued for negligence either by their members or by the investing public who may have lost money with a firm as a result of poor regulation. The professional bodies that may be recognised under the bill, such as the Law Society and the accountancy organisations, argued that their responsibilities in regulating their members would be the same as those of the SROs, and therefore they should enjoy the same immunities. However the Government believes that such activities are only a small and incidental part of their main responsibilities.

The most controversial change is the introduction of a central compensation fund, which has been strongly urged by the SIB over the last six months. The stock exchange, which has a well-established compensation fund of its own, yesterday published a letter of protest that it has sent to Mr Howard.

The letter says that, so a result of the proposal, an SRO which effectively regulated its members and prevented insolvencies would be compelled to cross-subsidise SROs which were less well-regulated

UK NEWS

Britain twelfth in Euro shop spending league

BY CHRISTOPHER PARKES, CONSUMER INDUSTRIES EDITOR

EUROPEANS WILL have to dig much deeper into their pockets before they can match the extravagance of the average US citizen, who spent $3,543 in the shops in 1984.

The best challenge Europe could offer came from Luxembourg, where per capita retail sales were $3,390, according to a survey of international retailing by Euromonitor, a London market research company. Britain trailed twelfth in the European league with $1,680 – a little above Cyprus and only $211 above the Soviet Union.

The bald figures may be deceptive. A general pattern to emerge from the study shows that retail sales tend to fall as affluence increases and consumer demand shifts to services such as entertainment, eating out, travel and other non-goods sectors.

However, it also shows that this trend can be slowed or even reversed. The retailing industry's share of overall consumer spending has increased, the report notes, "in certain countries where a short-term retail boom has occurred, notably in the UK, Sweden and Italy."

Euromonitor concludes that, discounting the effects of price inflation, retail sales performance in Europe has been poor in the early part of the 1980s. "In most countries, sales fell below 1980 levels in the period to 1983, a pattern partly attributable to the general economic recession in force at the time ..." the report says. Prospects have improved since then.

Scandinavian markets showed real growth in 1983 and 1984 and the Italian market is expanding strongly. UK sales have performed well since 1983. But some other major markets are showing signs of maturity. West Germany, for example, is still below 1980 levels in real terms, the report notes.

If German sales remain depressed France could overtake Luxembourg by the end of the decade and emerge as the leading market in Europe and fourth in the world in terms of per capita sales, it adds.

Retail Trade International Volume 1 (Europe) and Volume 2 (Rest of the World). £180 each. Euromonitor Publications, 87-88 Turnmill Street, London EC1M 5QU.

Ulster call to check religion of employees

BY OUR BELFAST CORRESPONDENT

THE GOVERNMENT yesterday told employers in Northern Ireland that they should ask the religion of their workers if discrimination in employment was to be stamped out.

The whole issue of asking a person's religion and keeping records of Protestants and Catholics on the payroll is a highly sensitive one in Ulster. The Northern Ireland Office last month proposed tougher legislation to deal with discrimination which would give it the power to withhold grants from companies which do not comply with the rules.

It is now arguing that monitoring of the religious make-up of labour forces is necessary if employers are to be sure that they offer equal opportunity.

A new guide to manpower policy and practice has been issued, for consultative purposes, under the Fair Employment Act, passed in 1976 to outlaw discrimination.

The guide advises employers to adopt "employment equity programmes" and shows them how to recruit and promote on merit, how to monitor religious affiliation and what action to take if an imbalance is found.

It acknowledges there is a view that keeping records of religion is morally wrong, and even unlawfully discriminatory, but it says that neither is the case if records are used to monitor how effective an anti-discrimination programme is.

Further Rover changes likely

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

MR GRAHAM DAY, chairman of the state-owned Rover Group, said yesterday that while no further management shake-ups were planned "management changes are evolutionary, so there could be more in the next few months."

Board changes last week resulted in the departure of three senior executives, including Mr Harold Musgrove, chairman of the Austin Rover Cars subsidiary.

There remains considerable speculation about the future of Mr Trevor Taylor, Austin Rover's director of sales and marketing, who returned from holiday on Monday to find he had been demoted in the reshuffle.

Mr Taylor now reports to Mr Chris Woodwark, who has joined Austin Rover as commercial director from the sister company Land Rover Leyland International.

Coal loss may rise to £300m this year

By Ian Hamilton Fazey, Northern Correspondent

BRITISH COAL is likely to lose up to £300m this year because it has had to renegotiate its prices downwards as a result of the fall in oil prices. The industry has, therefore, been given an extra year by the Government to reach breakeven. The target is now 1988-89.

This was disclosed yesterday by Sir Robert Haslam, British Coal chairman, during a pit visit in Lancashire. Losses in 1985-86 were only £50m and British Coal had been hoping to do no worse this year.

Sir Robert said that lower prices had enabled production volumes to be kept up. Had the negotiations failed, half of the industry would have had to be shut down immediately.

The loss of revenue over the whole year amounts to £400m at the old prices – 8.5 per cent short of budget. British Coal had hoped to sell about 105m tonnes at an average price of £40 a tonne. By keeping the volume, but at an average price nearer £36 a tonne, British Coal will have enough output to make its current £650m investment programme worthwhile. This is aimed at reducing costs in the medium and longer terms.

Sir Robert said that loss of capacity, whether through lost orders or industrial action, would make investment unworthwhile. There would also be a point from which the industry could not recover. It needed to have enough coal faces operational which were suitable for the modern technology and techniques that would bring about the greatest productivity gains.

All but £100m of the reduction in revenue arises from renegotiated contracts with the Central Electricity Generating Board. The cement industry is also a main beneficiary of lower prices, Sir Robert said.

Cost-cutting and productivity drives are now under way to prevent the drop in revenue knocking on to the bottom line in its entirety. Without these, losses might rise to £450m. Sir Robert hopes that they will be contained below £300m.

He emphasised that overtime bans in force in the South Wales and Durham coalfields would not help. "There is a great deal of competitive foreign coal available and the world is awash with cheap oil. We have to make sure we can keep our customers supplied. We must not falter because of even limited industrial action. The National Union of Mineworkers might well say: 'He would say that anyway,' but that's the way it is," he added.

BUSINESS LAW

New openings for arbitration

By A. H. HERMANN, Legal Correspondent

YESTERDAY, as always at this time of the year, the Lord High Chancellor led a procession of judges back from their holidays into the High Court in the Strand to start the new legal year. To amuse the public the judges put on their ancient and resplendent robes and full-bottomed wigs. Carnival is part of many ethnic cultures, and there is nothing wrong if the judges dress up, so long as they remember that, as Justice Oliver Wendell Holmes, the great US judge, said: "It is revolting if rules, the grounds for which vanished a long time ago, simply persist from blind imitation of the past."

Sometimes, it seems to me, neither the judges nor the legal profession as a whole remember this piece of wisdom. But some recently acquired US wisdom does seem to penetrate, in spite of the wigs.

The US system of obligatory arbitration of claims up to $20,000—described in this column on August 28—appears to be finding followers in the UK. The building trade, shipping, commodity and insurance have, of course, their old-established arbitration arrangements but very little, if anything, has been done so far for the arbitration of civil, as distinct from commercial, disputes. This concerns mainly private claims out of accidents, malpractice by doctors and lawyers, and landlord and tenant disputes.

Over the past few months there have also been a number of indications that lawyers are at last realising that they have priced themselves out of the market. First, a concilio-arbitration service* of a private group of arbitrators and barristers has offered cheaper and faster dispute resolution than the highly formalised commercial arbitration.

Then the Common Law Bar Association announced an arbitration service for accidents and malpractice disputes†. Barristers and retired judges are ready to act as arbitrators and apparently willing to do so faster and at less costs than they are used to in courts.

Last week, in another consultative paper‡ produced by the Lord Chancellor's review of civil procedure, opinions were invited on improving the small claims procedure and extending the limit from £500 to £1,000 while introducing a new system of judicial arbitration for claims between £1,000 and £5,000.

Though the consultative document refers to US experience, it proposes a different system: while in the US attorneys act as arbitrators (for very moderate fees), the scheme on which the *Lord Chancellor* invites views by the end of January 1987 would provide arbitration by county court judges or registrars.

There is no need to ponder this proposal till January. It is immediately obvious that a system relying on judges and registrars will not relieve the courts of their overload as much as a system using lawyers, accountants, surveyors and other experts as arbitrators.

Indeed, what the Lord Chancellor's Committee suggests is not a real arbitration but a back-door simplification of court procedure for claims up to £5,000. The dangers of this are evident from the analysis of the small claims procedure of county courts provided by Touche Ross Management Consultants. They established that small disputes — £500 is the limit—are not disposed of as quickly and informally as one would expect. Indeed, they take between 16 and 36 weeks as a rule to decide, and some even take over a year. There are also great variations between various courts in the handling of small claims.

The consultative document now proposes that the procedure should not only be extended to claims up to £1,000 but also streamlined. Registrars should undertake training so that these claims are dealt with uniformly in all courts and, one would hope, faster. It is intended to teach the registrars a more active approach, fixing the time for the hearing without waiting for the parties to say they are ready, and possibly also displaying some initiative in relation to evidence. In accordance with the prevailing prejudice, the document calls this a "more inquisitorial" approach.

The fact that 45,000 cases were brought under the small claims system last year, two-thirds of them by private individuals or small businessmen, indicates that there is a great need for such a system. But both the small claims system and the proposed arbitration could be much more useful if they were freed completely from the time-consuming habits of courts and of the legal profession. The robes and wigs seem to make lawyers believe that what is ancient is also good.

> 'It is revolting if rules . . . simply persist from blind imitation of the past'

* * *

Desperate for a success story amid all the gloom of courts and lawyers, I came across an optimistic report on the present state of the US-Iran Claims Tribunal. It is by Mr John A. Westberg, who has a special reason to be happy; his Washington law firm, Wald, Harkrader & Ross, has a lucrative business representing US claimants before The Hague tribunal. However, even incurable sceptics, deriving no benefit from the tribunal's business, must be impressed by the fact that the arbitration tribunal, born out of the Tehran hostage crisis, not only survived its infancy and has so far awarded US parties over $525m, but continues to dispose of claims at an average rate of 16 a month.

In June, Iran for the first time replenished the award fund in which it is bound to maintain a minimum balance of $500m. That indicates how much has changed since 1984 when the Iranian arbitrators assaulted the Swedish Judge Mangard and threatened to kill him in an attempt to bring the operation of the tribunal to an end.

The tribunal, an offshoot of the Algiers Declaration, is heavily marked by the weakness of the Carter Administration. Its jurisdiction is lopsided, precluding all actions by US claimants in US courts but allowing Iranian organisations to insist on the jurisdiction of Iranian courts where their exclusive competence was agreed in a contract. The Iranian side has made full use of this while at the same time submitting to the tribunal counter-claims in other disputes with US companies and claims against the US Government, of which the biggest is for $10.9bn over armament contracts.

It is, therefore, understandable that after taking over from Mr Carter, the Reagan administration was urged, as soon as the hostages departed from Tehran, to renounce the Algerian agreement because it was extracted under duress. However, the US Government decided to abide by it and its decision was upheld by the Supreme Court.

The full tribunal, consisting of nine arbitrators, three US, three Iranian and three neutral, deals with fundamental legal issues and governmental claims, *but private claims are assigned* to one of the three chambers, each with a neutral chairman. The two Swedish and one French neutrals—the Swedish president has now been replaced by a German international lawyer—bent over backwards to cajole the Iranians who were totally unco-operative whenever an award to the US party was on the cards.

In spite of these unpropitious beginnings, the tribunal survived and accelerated its work. In its first 2½ years, by August 1984, the tribunal decided 65 cases. It also confirmed 70 settlements, enabling payment to be made out of the revolving fund. In the two years since then, it has decided 121 more cases and confirmed 119 settlements.

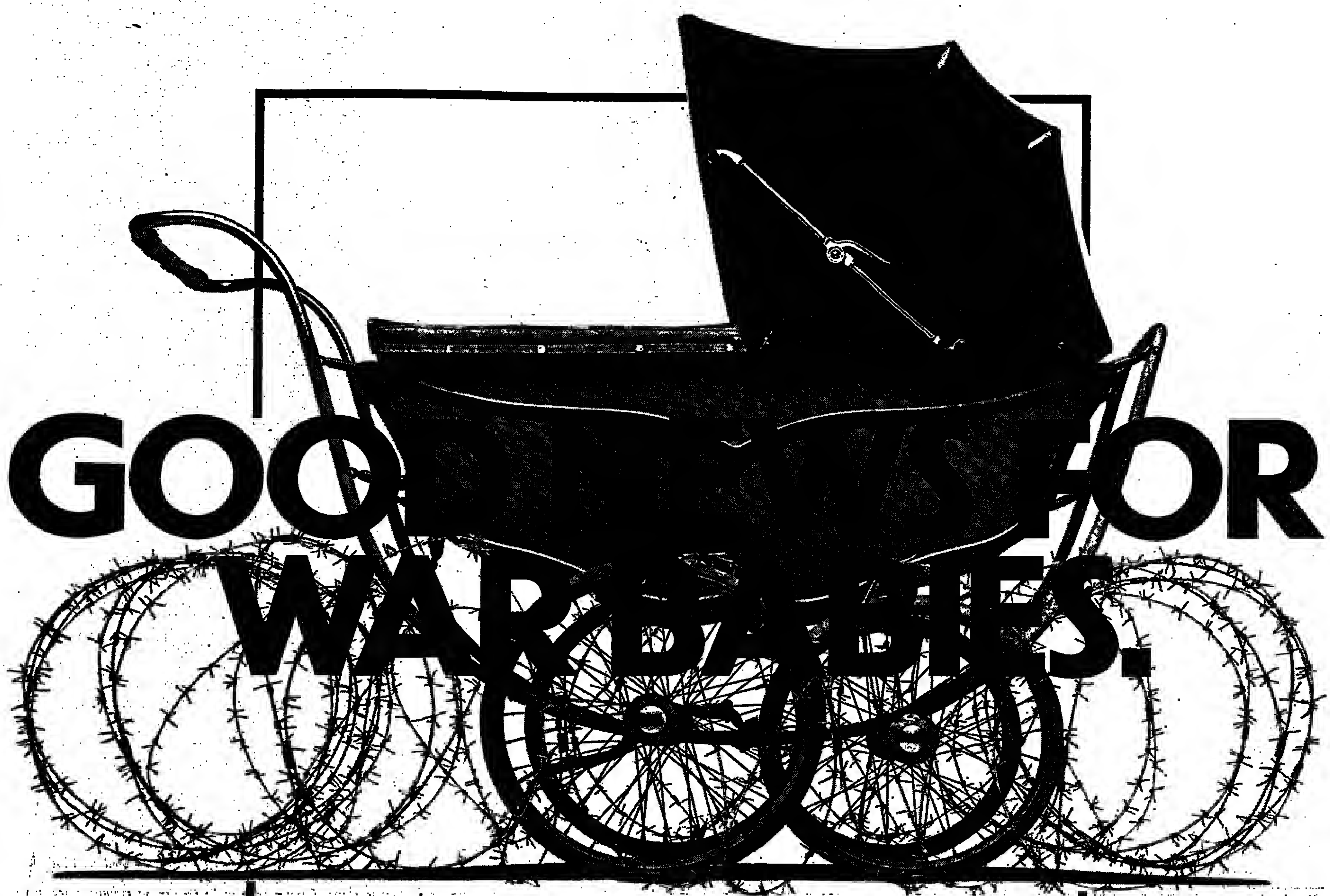
Negotiated settlements, confirmed by "consent awards," account for about 75 per cent of the $525m paid out so far. It is a welcome novelty that the Hague arbitration tribunal, though much more an "official" institution than privately appointed arbitrators, did not turn its back on conciliation. On the contrary, it has encouraged negotiated settlements and made available to the parties its facilities in the Hague, and its translators. This is an important lesson for UK arbitrators and commercial lawyers who tend to view conciliation as incompatible with arbitration. Adopting the adversarial methods of the courts, they make arbitration not only more costly and more time-consuming, but also highly inappropriate for the maintenance of friendly business relations between the parties.

Perhaps there is some inspiration here not only for those trying to attract international arbitration to London but also for the Lord Chancellor's review of civil procedure of the courts.

** Concilio-Arbitration Ltd, 197-199 City Rd, London EC1V 1JH. See also Rowland Williams, Concilio-Arbitration, 1986, The Law Society Gazette, page 1,633.*

† Chairman of the association is Peter Creswell, QC, 11 South Square, Gray's Inn, London, WC1.

‡ Civil Justice Review: Small Claims in the County Court. Lord Chancellor's Department, £1.



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NATIONAL SAVINGS

TECHNOLOGY

BUILDING IN THE CITY OF LONDON

Fast track to big savings and quick earnings potential

By Jane Rippeteau

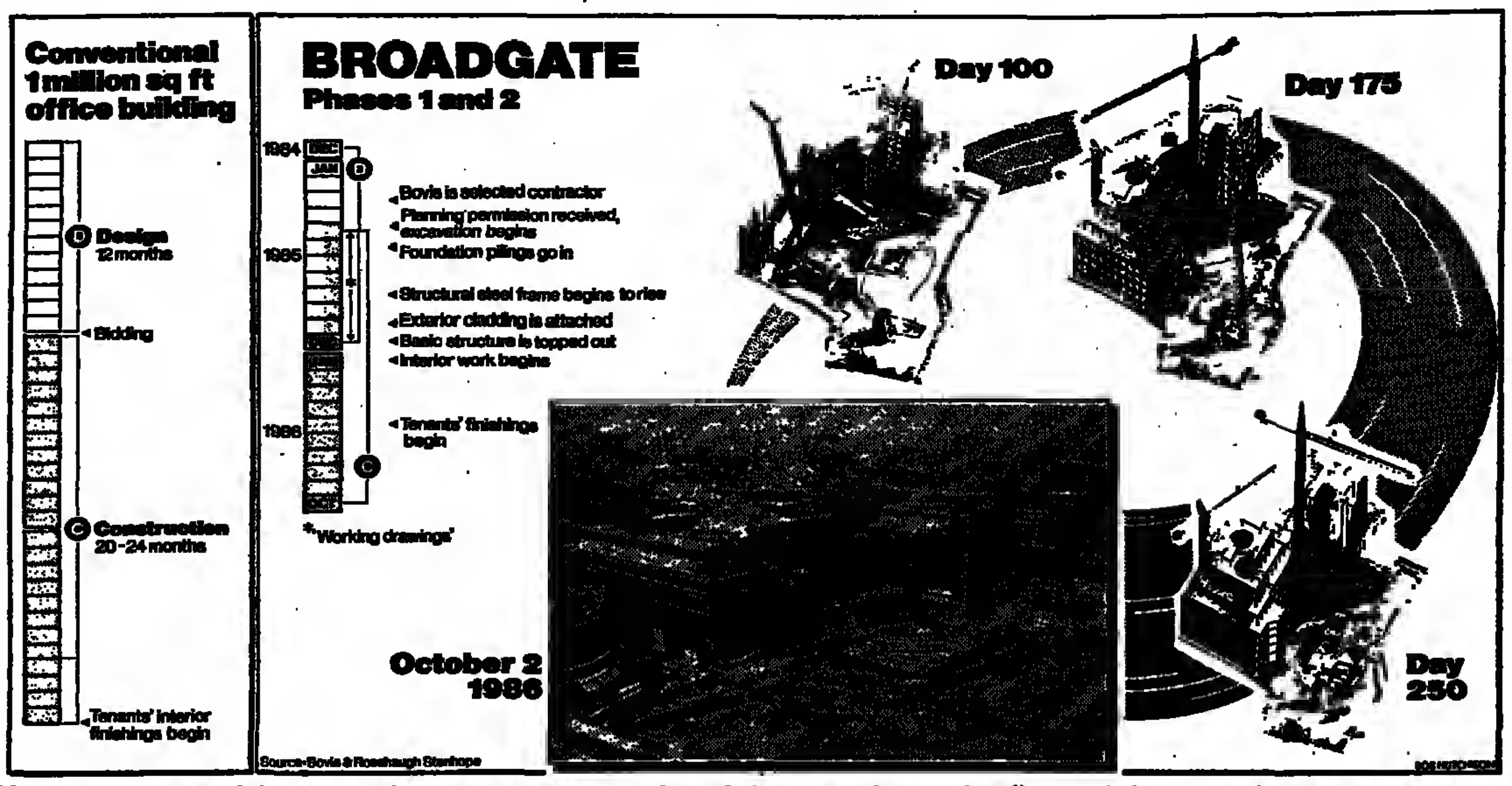
WITH Big Bang coming, and expansion rampant in capital markets, corporate finance and other businesses, the American financial concern Shearson Lehman Brothers could not wait four years for its new London building. And it didn't have to.

It can thank a newly-imported build-it-quick technique called "fast-tracking."

Developed some dozen years ago in the US as a way to cut costs, the concept calls for starting construction before design is complete. There are horror stories of missing staircases, out-of-line lift shafts and such. But, when it does work right fast-tracking can mean huge savings and earlier rentals for owners, speedier turnover for designers and builders, and earlier occupancy for tenants.

"Fast-tracking is an absolute transformation in the speed and the way construction of buildings is approached," says Peter Foggo, a principal at Arup Associates which with its sister firm Ove Arup & Partners is among Britain's top architectural and engineering companies with projects worldwide. "The Big Bang," he adds, "has put a rocket behind it here."

The incentive for owners to build fast can be dramatic. Take Broadgate, the prestigious multi-building office compound at the northern edge of the City of London.



Source: Bovis & Rosehaugh Stanhope

Although Peter Rogers, construction director at Broadgate developer Rosehaugh Stanhope Developments, cautions "it is difficult to play with the figures," he says that the project's methods saved about £40 per sq ft off the usual £120 per sq ft construction costs for such a project, and that rents (for the first buildings) of £28 per sq ft for half a million sq ft of space will be received a year early.

That is some £20m saved on construction and £15m in income received, conservatively. And it does not take into account the huge savings in interest costs to finance the construction for another year, which Rogers declined to quantify.

Such financial advantages, amplified by market demand for space, is fuelling a fast-tracking boom, centred mainly in the London office building arena. Foggo says the concept was also practised on the 300,000-sq ft Finsbury Avenue project which his firm handled, with tenants able to start their interiors within 15 months. But at Broadgate, with just 12 months between the start of construction and interior fitting work, "the speed achieved is out of all proportion to anything done in the UK before. It was more than twice as fast as it would have taken four or five years ago."

That, says Peter Morris, executive director for administration at Shearson Lehman, "is an incredible benefit for our business." The firm, with other units of American Express Co will move into Broadgate within months. The company expressed serious interest in becoming a tenant in May 1985, just as construction began, according to Rogers of Rosehaugh. It was able to begin interior finishing work just one year later.

"This was critical," says Morris. "This is a dynamic business. In four years, we could be five times the size we are now, or half the size. If we had to wait four years to get our building, we could have made a big mistake."

Traditionally, design of a, say, 1m sq ft office building

The speed with which Shearson's new building went up has been 'an incredible' benefit to its business

takes a year, a contractor is hired in competitive bidding and construction takes another two years, explains Gene Kohn of Kohn Pedersen Fox, a leading American architectural firm, which has designed the main tower for the planned £1.5bn Canary Wharf scheme in London's docklands. But under fast-tracking, which Kohn says is used on 90 per cent of the firm's some $1bn in work under way, this cycle is truncated by allowing construction to start as early as half way through, the point when the overall design is known but working drawings—which detail how to build it—are not.

The key at that stage is to know enough about a project's overall shape, size and materials to start digging the hole it will rest in and drill the foundations it will stand on. To do that, "you don't have to know what the doorknobs look like," says Frederick A. Rehkopf of Lehrer-McGovern, a US construction management firm, which is advising on fast-track techniques for a 17-building apartment complex in London, called Chelsea Harbour.

It is in this spirit that Broadgate was built.

On May 2, 1985, Rosehaugh Stanhope Development, developer of Broadgate, received planning permission to begin the project. Building tradesmen moved onto the site the same day, says Peter Rogers, construction director of the project for Rosehaugh.

Engineers at Arup went into high gear on working drawings, quickly setting the structural

'I said to my people forget productivity levels you've ever achieved before'—Ian Macpherson of Bovis

grid and loads, and the steel was ordered. By September, the foundations were in and the steel started up. Outside walls were snapped on to the building beginning in November, pipes and wiring started around Christmas, lifts and other inside work followed until enough was ready to let tenants Shearson and another US financial institution Security Pacific, begin their interior finishings.

The speedy performance on Broadgate stems not just from "fast-track," but from "fast-build," says Ian Macpherson, director and manager of the project for builders Bovis Construction. He relied heavily on such advanced, prefabricated systems as toilet units, weighing 10 tons, that arrived on site fully made and that were slid into position on air-supported carts. For the exterior, storey-high panels complete with windows, aluminium and granite facing were manufactured off site and hoisted into place in just half an hour each, he says.

"The change I've had to make is to change British attitudes," he says. "Clients have gotten fed up with the traditional way of slow, costly construction that doesn't address modern needs. I said to my people, 'Forget productivity levels you've ever achieved in the past.'"

A level of co-operation not seen before is needed to pull off fast-tracking successfully, those involved say. Macpherson points out that his team would meet regularly with the designers to check that what they were designing could be understood by workers on site and could be built easily so on-site difficulties were reduced. "The worst place to solve problems is on a construction site," he notes.

Architects also face the limitation of not being able to change their design substantially. "All things begin equal," concedes Kohn, "you'd prefer to complete the drawings, bid it, and then build. Yen could set the design."

A lot can go wrong—cost overruns, for one. Notes Kohn: "No contractor will give you a lump-sum bid for a project whose design is not complete. You theoretically could pay more." Savings potential also wanes in times of low interest rates and minimal inflation in construction costs—as in the US now. Macpherson of Bovis does see an upsurge in steel prices but says construction costs have not yet risen because the industry was so depressed before the recent boom.

Other misadventures, such as labour strikes, delivery delays or delivery of the wrong goods can also bite heavily into time savings—or force unwanted compromises. Kohn recalls a recent project of his own for which a supplier delivered from Italy the wrong granite. "You wind up saying, 'It's not that bad. We can't wait for the proper stuff. Let's use it.' That happens a lot," he says

Financial gain is not the only inspiration, proponents insist. John Bennett, a professor of construction management at the University of Reading, believes the adoption of fast-tracking will reverse Britain's reputation for "building slowly and more expensively," with important consequences for attracting overseas business.

"We can now compete effectively," he says. "A major Japanese company looking to move to Europe six years ago might have considered building in Britain more expensive and slower than elsewhere. That's no longer the case." He sees the concept growing not just in London, but "spilling out elsewhere, at least along the M4 corridor."

For some, fast-tracking is not so impressive. The Empire State Building, they recall was built during the Depression in some 18 months.

Japanese alloy shapes up to bright future

By Geoffrey Charlish

METAL fibres called Bolfur, have been developed by Unitika in Japan. They are made from a blend of iron and cobalt alloys and have a strong resistance to corrosion. Likely to be used in precision springs in engineering, the material is also being assessed by sporting goods makers for golf club shafts and fishing rods. The metal always returns to its original shape after bending under stress. Annual sales of Y5bn (US$32.5m) within five years are expected by the company.

Wired for a higher workload

COMPUTER-AIDED design of wiring systems for electrical control equipment is being used at the Paisley, UK factory of Lounsdale Electric.

The time to produce the designs and drawings has been halved so that existing staff have been able to take on a bigger workload. Lounsdale is using a Series 4000 CAD system from Applicon-MSDI in Stockport (061-429 7227).

Automatic wire identification has cut out the tedious task of having to refer to manuals to establish the connecting pin numbers of parts before marking each wire. The system is also being used, with appropriate mechanical CAD software, to lay out power station designs involving cable routing, steelwork and other details. Modifications which took two or three hours of manual work can now be completed in 15 minutes.

NOTICE OF REDEMPTION

THE PROCTER & GAMBLE COMPANY

Extendible Notes Due December 15, 1994

NOTICE IS HEREBY GIVEN that, pursuant to paragraph 7(c) of the Terms and Conditions of the Notes described above (the "Notes") the Company has elected to and shall redeem on October 15, 1986 (the "Redemption Date") U.S. $52,000,000 aggregate principal amount of Notes at a redemption price of 101% of the principal amount thereof (the "Redemption Price"), plus accrued interest from December 15, 1985 to the Redemption Date in the amount of $90.63 for each $1,000 principal amount of Notes. The serial numbers of the Bearer Notes selected for redemption are as follows:

OUTSTANDING BEARER NOTES IN THE DENOMINATION OF U.S. $1,000 EACH BEARING THE FOLLOWING SERIAL NUMBERS:

FROM	THROUGH	FROM	THROUGH	FROM	THROUGH
1	500	27001	27500	49501	50000
1501	3000	28001	28500	51501	52000
4501	5000	30001	30500	55501	56000
5501	6000	31501	33000	60501	62000
10001	10500	33501	34000	62501	63000
11501	12000	35001	35500	64001	64500
14501	15000	36501	37500	65001	65500
16001	16500	38001	38500	66001	66500
17001	18000	39501	40000	67001	67500
19501	20500	40501	41000	68001	68500
21501	24000	42501	43000	69501	70000
24501	25000	46501	47000	71501	72000
26001	26500	48501	49000	74501	75000

OUTSTANDING BEARER NOTES IN THE DENOMINATION OF U.S. $10,000 EACH BEARING THE FOLLOWING SERIAL NUMBERS:

FROM	THROUGH	FROM	THROUGH	FROM	THROUGH
1	100	2151	2200	5101	5150
201	250	2351	2400	5251	5350
301	350	2501	2550	5451	5550
401	450	2601	2700	5651	5700
601	700	2751	2800	5901	6000
751	800	2901	2950	6051	6150
951	1000	3251	3450	6601	6650
1101	1150	3851	3900	6751	6800
1151	1200	4001	4050	6851	6900
1251	1300	4251	4300	7151	7250
1451	1500	4401	4450	7351	7400
1601	1650	4501	4600		
1851	2050	4851	4900		

The Notes shall become due and payable on the Redemption Date at the Redemption Price, plus accrued interest, which shall be paid upon presentation and surrender of the Notes, together with all coupons thereto appertaining maturing after the Redemption Date, at the paying agents listed below.

The Notes to be redeemed will no longer be outstanding on and after the Redemption Date, interest on the Notes will cease to accrue from and after the Redemption Date, the coupons for such interest shall be void, and the sole right of a Note holder shall be to receive the redemption price plus interest accrued on such Note to the Redemption Date.

Payments at the office of any paying agent will be made by check drawn on a bank in New York City or by transfer to a dollar account maintained by the payee with a bank in Europe.

Following this redemption, U.S. $13,000,000 aggregate principal amount of Notes will remain outstanding.

PAYING AGENTS

Morgan Guaranty Trust Company of New York
Morgan House, 1 Angel Court
London EC2R 7AE, England

Morgan Guaranty Trust Company of New York
Avenue des Arts 35
B-1040 Brussels, Belgium

Union Bank of Switzerland
Bahnhofstrasse 45
CH-8021 Zurich
Switzerland

Morgan Guaranty Trust Company of New York
Mainzer Landstrasse 46
6000 Frankfurt-am-Main
West Germany

Amsterdam-Rotterdam Bank N.V.
Herengracht 595
Amsterdam
The Netherlands

Kredietbank S.A. Luxembourgeoise
43 Boulevard Royal
Luxembourg, Luxembourg

THE PROCTER & GAMBLE COMPANY
By: Morgan Guaranty Trust Company
OF NEW YORK, Fiscal and Paying Agent

Dated: September 15, 1986

THE FINANCIAL TIMES
is proposing to publish a Survey on
MARKET RESEARCH
Publication date: November 5 1986

1. Introduction
2. Who's who in Market Research
3. The users of Market Research
4. Case Studies
5. Telephone Research
6. Standard
7. NewTechnology
8. The US Scene

Information on advertising can be obtained from Nina Jasinski, Telephone number 01-248 8000 ext 4611
Publication date subject to change at the discretion of the Editor

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Company Notices

AECI Limited

(Registration No. 04/02590/06)

(Incorporated in the Republic of South Africa)

**Notice to Preference Shareholders
Dividend No. 97**

Notice is hereby given that on 4 September 1986 the Directors of AECI Limited declared a dividend at the rate of 5.5 per cent per annum for the six months ending 15 December 1986 payable on that date to holders of preference shares registered in the books of the Company at the close of business on 24 October 1986.

The dividend is declared in United Kingdom currency, and cheques in payment will be posted from the offices of the transfer secretaries in South Africa and the United Kingdom on 12 December 1986.

Dividends payable from Johannesburg will be paid in South African currency at the rate of exchange ruling on 17 November 1986.

Any change of address or dividend instruction involving a change in the office of payment, if intended to apply to this dividend, must be received on or before 24 October 1986 and members must, where necessary, have obtained the approval of the South African Exchange Control Authorities and, if applicable, the approval of any other Exchange Control Authorities having jurisdiction in respect of such changes. Changes of address or dividend instructions to apply to this dividend which do not involve a change in the office of payment must be received not later than 2 November 1986.

In terms of the Republic of South Africa Income Tax Act 1962 (as amended) dividends payable to persons not ordinarily resident nor carrying on business in the Republic or to companies not registered *nor carrying on business in the Republic* are subject to deduction in respect of non-resident shareholders tax at the rate of 13.7025 per cent.

With regard to cheques despatched from the United Kingdom office, United Kingdom income tax, at the basic rate less, where applicable, the appropriate double tax relief, will be deducted from the dividends paid except in cases where the holder's address and the address to which the dividend is sent are both outside the United Kingdom and in cases (if any) where the company has received from the Inspector of Foreign Dividends in Great Britain a certificate exempting the dividend from United Kingdom income tax.

The transfer books and registers of members in Johannesburg and the United Kingdom will be closed from 25 October 1986 to 7 *November 1986 both days inclusive.*

Carlton Centre
Johannesburg

By order of the Board
J M DOODS
Secretary

2 October 1986

Transfer secretaries:
Consolidated Share Registrars Limited
40 Commissioner Street, Johannesburg, and
Hill Samuel Registrars Ltd
6 Greencoat Place
London SW1P 1PL England

**TDK CORPORATION
(CDRs)**

The undersigned announces that as from 24th September 1986 at Kas-Associatie N.V., Spuistraat 172, Amsterdam, div.cp.no. 24 (accompanied by an "Affidavit") of the CDRs TDK Corporation will be payable with Dfls 25.18 net per CDR, repr. 100 shs. and with Dfls 251.80 net per CDR, repr. 1,000 shs. (*div per record-date 05.31.86;* gross Yen 20.- p.sh.) after deduction of 15% Japanese tax=
Yen 300.-=Dfls 4.48 per CDR, repr. 100 shs.
Yen 3,000.-=Dfls 44.80 per CDR, repr. 1,000 shs.
Without an Affidavit 20% Jap.tax=
Yen 400.-=Dfls 5.97 per CDR, repr. 100 shs.
Yen 4,000.-=Dfls 59.70 per CDR, repr. 1,000 shs.
will be deducted. After 12.31.1986 the div. will only be paid under deduction of 20% Jap. tax with resp. Dfls 23.69; Dfls 236.90 net per CDR, repr. resp. 100 and 1,000 shs. each, in accordance with the Japanese tax regulations.

AMSTERDAM DEPOSITARY COMPANY N.V.
Amsterdam, 16th September 1986

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDR's) in NIPPON SHEET GLASS CO., LTD.

NOTICE IS HEREBY GIVEN that a cash dividend will be paid to shareholders of record date September 30, 1986.

Furthermore, it has been declared that *the shares will be traded ex-dividend* on the Japanese Stock Exchanges with effect from September 26, 1986.

Subject to approval of the dividend, a further notice will be published, after receipt of the dividend by the Depositary, stating the amount and actual date of payment of such dividend together with the procedure to be followed for obtaining payment.

Coupon No. 11 will be used for collection of this dividend.

CITIBANK, N.A., London, Depositary.
October 2, 1986.

**B.A.I.I. FINANCE COMPANY N.V.
US$50,000,000**

Floating Rate Notes 1983-1991

The rate of interest applicable to the interest period from 30 September 1986 up to 31 March 1987 as determined by the reference agent is $6\frac{5}{16}$ per cent per annum namely US$159.57 per note of US$5,000.

CHEMICAL NEW YORK CORP.

[illegible]

Agent Bank
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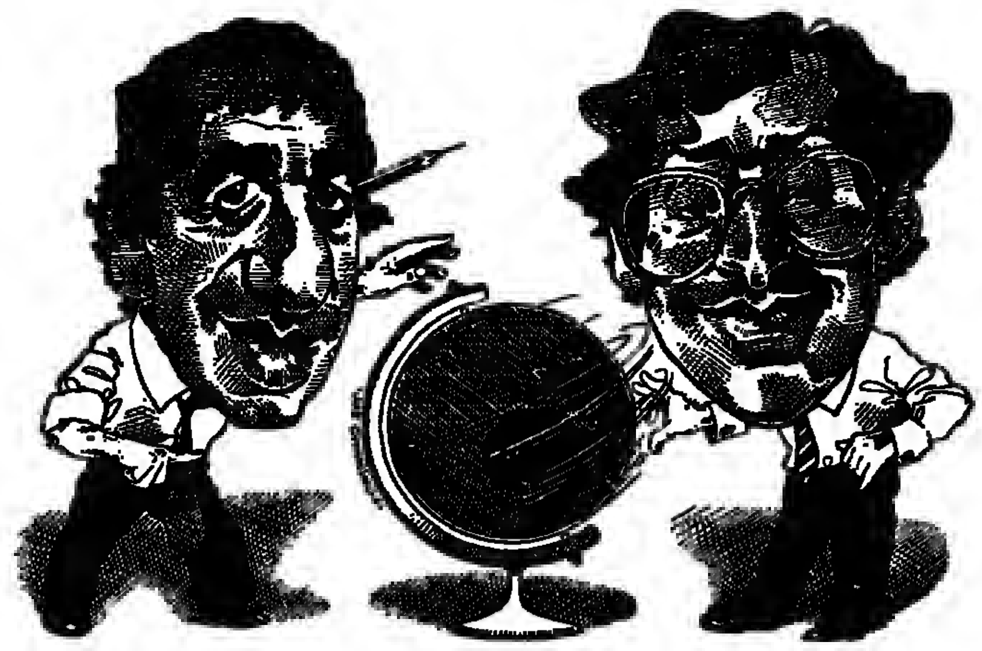
Clubs

MANAGEMENT: Marketing and Advertising



Charles (left) and Maurice Saatchi: shockwaves ricocheted across the Atlantic

The Saatchis hit a pocket of turbulence

BY FEONA McEWAN

SO THE Saatchis are mortal after all. As they face their sternest test yet in an inhospitable climete of disgruntled clients, disparaging press comment (especially in the US) and a slithering share price (from an adjusted high point of £8.57 to £5.80) the question is, what is the problem?

After building the world's largest advertising agency group in 16 short years, impressing people with fleet footwork and a daring approach, there was little this controversial company seemed unable to achieve. Since it served notice in 1980 of its ambition to top the world in marketing services, it has been a benchmark against which other companies are measured. For the moment, however, the agency which has done much to change the way the world—and not least the financial community — views advertising seems to have hit a turbulent trough.

Press reports abound of an imminent review of corporate structure and of musical chairs at senior management level at Saatchi & Saatchi Compton, the London agency, Hay MSL, the management consultancy group, as well as at Ted Bates in the US. This only serves to fuel the bush telegraph in the familiar absence of direct Saatchi comment.

Indeed, in the absence of direct comment by the Saatchi brothers, it falls to others in the industry to suggest where any difficulties may be.

"We're being treated like a bunch of footballers on transfer lists," says one American advertising director.

More serious is the perceived shattering of the bond of confidence required in the agency-client relationship where strategic commercial information is shared. Saatchis' image was not helped by a recent report that its prospectus for the Bates purchase inflated Bates billings by 45 per cent. "That sort of thing doesn't help the authenticity of our business," says Julian Clopet, chairman of Ogilvy & Mather, Canada and a member of the O&M international board.

"Saatchis' deviation from a basically successful financial strategy by putting the money up-front for Bates has become a major problem," says Clopet. "We now see an awful lot of internal turmoil at Bates because the incentives are no longer there for senior management," he adds.

At the same time some rival agencies believe the Saatchis might be spending too much time on their own business and too little on their clients.

Saatchi is not alone in pursuing a three-legged network. Interpublic blazed the trail several years ago and the newly-formed Omnicom group (with its BBDO and its Doyle Dane Bernbach/Needham Harper networks) is said to be seeking a third lglobal leg.

So have the brothers Saatchi lost control of their unwieldy empire? Has the renowned chessboard over which group architect Charles Saatchi pores every lunchtime, grown too cumbersome? Or is this a temporary hiccough, a self-generating ill wind that ultimately blows itself out? Certainly the pace of group expansion in the past 18 months has been galloping, with some 18 acquisitions worldwide.

Ted Bates, the $3.1bn agency Saatchi eventually secured after more than 18 months' negotiation, is at the core of the current troubles. At the time, Saatchis' policy of having competing autonomous networks around the world—this became its third—was thought to be one advantage of the deal, intended to reduce potential client conflict, among other things.

More important, Ted Bates was an extremely profitable company. It was also genuinely global (with particular strengths in Australia, South America and Scandinavia) and since it was declining in the US and wanted resources to expand, it needed a buyer.

A degree of client fall-out after a major merger is inevitable. And since the Bates merger clients which have shown themselves to be unhappy include the bluest of chips, major international spenders like Procter & Gamble, Mars, General Mills and Colgate-Palmolive. The losses in billings are already in excess of $235m.

Early on Warner Lambert, Nabisco and Colgate headed for the door, though some say they were already on the way out. More recently, P&G and General Foods have withdrawn hefty slices of business. And yet overall, considering the gains made by the group in the same period (including the recent £15m Renault win in Italy) which have been little publicised, the net loss is said to be no more than $130m. More wins are expected—but further losses are expected before Christmas.

"In tha context of group billings of £7.5bn," says Mark Shepperd, analyst at London stockbrokers Philips & Drew, "they haven't lost very much, probably less than one per cent."

Whether Saatchi has overreached itself with the Bates deal, coming as it did hard on the heels of a period of frenetic acquisition, is a contention that the top management is working hard to dispel. What is clear is that there is some rationalisation on the cards especially involving the US agencies of which the company now has more than eight.

Besides clients' worries, there was management strife at Bates too. The recent ousting of chairman and chief executive officer Robert Jacoby, shows the Saatchis uncharacteristically taking the whip hand with a subsidiary. The normal pattern of their acquisitions has been to apply strict financial controls centrally and then leave the creative and account handling functions well alone. But Jacoby, known as something of an autocrat and who, as owner and chairman, had taken his agency to number three in the US, was used to doing things his way. Following the Saatchi merger, which reputedly made him richer than either of the brothers, Jacoby summarily rearranged his boardroom, demoting Don Zuckert, New York president, and Larry Light, the man closest to the Mars business.

This did not go down well with Mars and the tremor was felt in Charlotte Street, in London. Next thing was that Jacoby was toppled and Zuckert and Light crowned. Light is said to regard clients as his own.

The implications of pushing Light into the dark were clear to London. The shockwaves ricocheted across the Atlantic unsettling longstanding clients. Rowntree Mackintosh, for one, wants a denial a public denial to rumours that its £10m is to be resigned in deference to Mars. "Yes," says David Lamb, Rowntree's UK advertising manager, "we are aware of the rumours and in fact are asking Saatchi what's going on and we're looking at the whole position. We're waiting to hear." Rowntree has been a client of the Garland wing of Saatchi for 50 years.

One group keeping an open mind is the financial community which on both sides of the Atlantic maintains its belief in the brothers' ability to triumph. The falling share price and Press comment is largely overreaction, was the comment of Greg Ostroff, of Goldman Sachs. "I don't think the management is taking this lying down," says Emmy Hill of Wertheim, another New York analyst. "In fact I think they're handling it rather well." A number of analysts have not changed their forecast at all. "We have budgeted for $100m loss of billings in 1986-87 and we're not changing that," says Ostroff in New York. "Historically the earnings per share growth has been 28 per cent a year," says Neil Blackley, analyst with James Capel, in London, "but 18 to 20 per cent is fairly respectable."

Now the watching world awaits the outcome of the review. Smart money is on integration, probably office by office and in good time, over perhaps a two-year period. They will want to let the dust settle, glue the clients to their seats and then weld them together by the softly softly approach . . ."

World weary observers suggest there is a certain element of inevitability in the Saatchi crisis. For a long time, says one analyst, they've been the darlings of the Press with fire in their bellies, keen to teach the the world. Suddenly they are at the top and have become the establishment . . . to be shot at.

Whichever interpretation you take, the fact remains one of management capabilities . . . that means finding out how good a chess player Charles really is.

Computer animation

Mesmerising messages

Feona McEwan reports on an electronic aid to creativity

FLIGHTS of fancy in television commercials are reaching new levels of inventiveness as a result of computer animation, a fast-evolving creative technique that produces moving images in three dimensions.

UK viewers will recognise computer animation in the Channel Four TV logo (where brilliantly coloured fragments fuse into the figure four); the somersaulting logo for the TV programme News at Ten; the Smarties ad (all flying tubes and chocolate buttons); the more basic commercial for the Northern Rock building society (which rains down gold coins in slow motion) and the Honeywell business systems ad (in which a regular office is transformed into a high-productivity cell of hi-tech wizardry).

It is a technique which now offers mesmerising commercial possibilities not only to advertisers but also to industrial designers, architects, the pharmaceutical industry, pop promotion producers and others.

The technology of computer animation has its roots in the American defence programme, going back for more than 30 years. With its hefty financial, technological and artistic commitment, the US has pioneered the field, though it is only in the last 15 years that commercial uses have evolved.

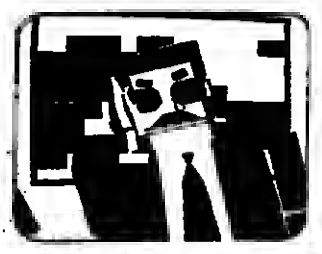
Europe is running fast to catch up and Japan is noted as a keen competitor in the world computer graphics market, which the industry itself reckons is worth about $2bn. Of this, the European market is estimated by industry observers to be about £300m, with animation (a sub-division of graphics) accounting for about £80m to £100m. The UK slice is put at £1m to £1.8m.

The bulk of the potential for computer animation is thought to lie in the advertising field though the business is still in its infancy. Recent UK users like Honeywell, makers of business computers and office automation systems, Crown paints and Smarties confectionery had their own different reasons for adopting the technique.

Honeywell wanted to register itself unequivocally as a hi-tech company, and to do this in a novel way (competitors at the time were adopting cosy, friendly images to counter consumers' so-called "technofear"). It also wanted to convey specific messages, such as its capacity for electronic filing, networking and mail.

Research carried out before and after the advertising campaign, devised by Gold Greenlees Trott, pleased the advertiser (never before a television user) so much that it is back on television for a second burst.

For Smarties, animation offered more realistic and greater manipulation of the tube and its contents than using live action and models, besides fascinating its young consumers. Tha Crown paint-by-numbers ads (showing a monochrome image which then colours in seqnence), adopted animation because it wes quicker and (in this instance) cheaper than alternatives such as filming real characters or models.



Honeywell used computer animation for its first UK campaign

To produce the Channel Four logo (e milestone in raising UK interest in the techniqua), producers Robinson Lambie-Nairn had to turn to the US where established names like Robert Abel, Digital Productions, MAGI and Cranston/Csuri Pictures lead the field. Since then, UK exponents such as Cal, Digital Pictures and Electronic Arts, among others, have started to narrow the gap.

Now a new company has arrived on the European scene with a box of computer tricks under its belt which it claims will help it to challenge the Americans, and put Europe in the front line. The Computer Animation Laboratory (based in Frankfurt and with associates in London, Paris and Zurich) is unblushing in its claims of quality, capability and expertise second to none in Europe.

The lab's head office, with its hi-tech interior, represents an investment of more than £8m. In computerese, the company boasts two VAX computers, each with a processing power of four megabytes and a total memory capacity of more than two gigabytes. In layman's language, the system occupies 190 square metres of floorspace. By working to bigh resolutions, the Lab can translate its work to film, video, or slide for use in television, posters, cinema and business presentations.

It offers quality and this comes at a price. But founder and chief executive of the lab, Chrys Kazantzis, believes discerning clients will quickly recognise its worth.

Computer animation is, however, by no means the answer for every communication problem. It is best used when no other method can achieve the desired effect, says the lab's creative director, Antonios Iliakis, who worked among other things on the NASA shuttle simulation for ABC television in 1981.

Makers of commercials warn against the tendency to use animation simply because it is new. "Ultimately, it'e not a technique that makes e good commercial," says Peter Blaser of production house Take One in Zurich. "First you must have the good idea. The technique must not dominate the commercial."

Blaser recently used the lab for e Cointreau commercial shown in Switzerland. The reason, be says, was "it would have taken five times longer and cost a lot more money to do it any other way."

In future, the lah aims to extend its activities around Europe by liaising with production houses in Milan, Athens, Vienna and Madrid. In London, James Garrett, the UK's oldest production house, is the British link. Ultimately the company hopes to get a stock exchange listing in order to finance its research and development programme.

Garrett's managing director, Mike Gilmour, believes two main arguments are relevant to the future of 3D computer animation. "In five years' time anyone marketing to today's 11 to 16-year-olds will have to speak their visual language. The way we're getting the messages across is changing, I think. That's not to say everything will be graphics and animation and computers but for some markets it will be the right language."

Accountancy Appointments

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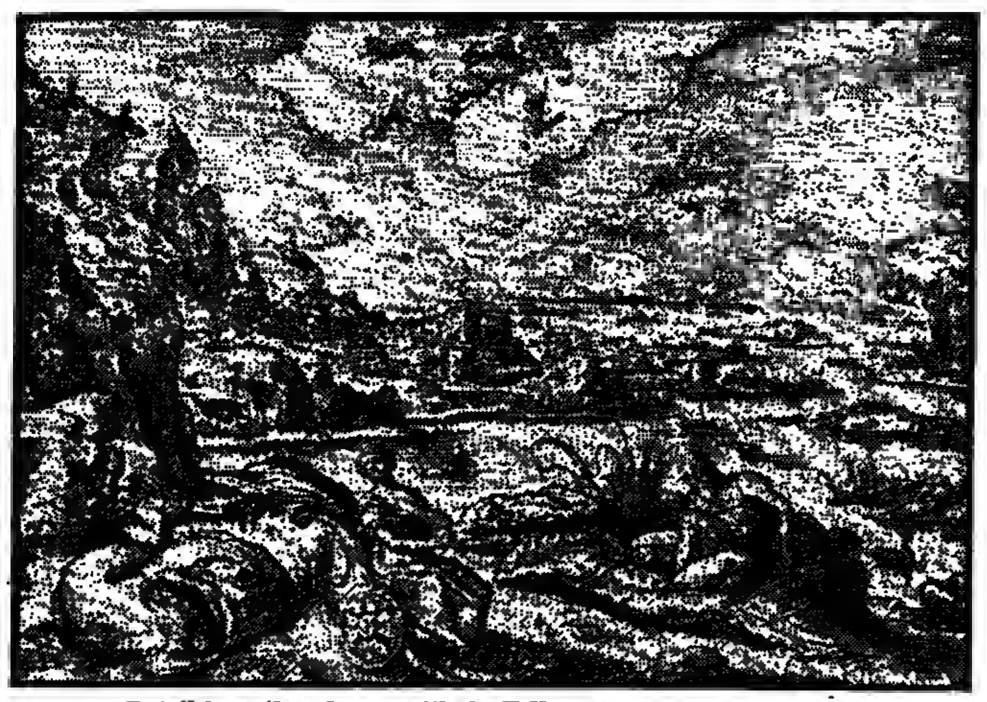
THE ARTS

Courtauld Institute/Roy Strong

Landscape drawings to delight the eye

The exhibition, *The Northern Landscape* (Courtauld Institute Galleries, Woburn Square, calls to mind Ben Jonson's description of his very first masque, in 1605, when James I and his court saw before them as the first scene "a Landtschap consisting of small woods, and here and there a void space filled with huntings. . . ." This was designed by Inigo Jones who was placing before his audience a new art form, so new that the word to describe is had to be borrowed from the Dutch, later to be anglicised as landscape. The court must have been looking at something close to the beautiful Gillis van Coninxloo III drawing with its huge foreground trees and distant woodland vistas.

This is a most enjoyable exhibition with a more than handsome (if expensive) catalogue, so I must begin on a protest note on behalf of those left to comprehend it from the inadequate captioning. Putting that quibble to one side, there are some 120 drawings filling three rooms. There are glorious items by exponents of the British School, but I confess to being most stimulated by those by Netherlandish artists of the sixteenth and seventeenth centuries. We have not seen such a galaxy as this for a long time and they present before us the birth of this new genre.



Detail from "Landscape with the Fall of Phaëton" by Hans Bol

Landscape in medieval works of art only existed as a symbolic setting, the corrupt world of man and nature. That approach was not shed in the Renaissance. Landscape remained symbolic but it also became something else, part of the macrocosm of which man was the microcosm and, as a result, it became a subject fit for scientific observation and investigation. The allegorical or biblical subject matter set within it became peripheral, so much so that at times we have to search for it.

Hans Bol's work is typical of this stage in which a characteristically elaborate mannerist rendering of the *Fall of Phaëton* is a vehicle for a landscape with mountains towering above a city and a river winding into the distance. The mannerist world was obsessed by landscape as symbol, as man distilled by pen and brush on to canvas and paper the earth's surface: ships tossed on the seas, winds bending trees, the wonders of vast panoramas or nature at her most benevolent in a pastoral of ripening cornfields. Time and again we must remind ourselves of this way of looking because our own, in terms solely of topography and aesthetic response, would have been not only incomprehensible but crude to the late Renaissance mind.

For an age before the camera and cinemascope we can only gasp at these wide-angle-lens vistas. Roelant Savery's view of the Rhone valley, for instance, with its pine-dotted mountain tops sweeps into the distance. One is struck by the extraordinary brilliance of his technique which is able to evoke in the mind's eye even the colour of the vegetation, although he only makes use of black and red chalk.

After the disasters of the Thirty Years War, symbol gives way to science and matter-of-fact topography leavened only by the idealisation of landscape inspired by Italy and a celebration of classical antiquity through rose-tinted spectacles. I admit that I am more drawn to the former than to the latter. Van Goyen's striking study of a solitary gnarled oak jutting defiantly into the sky seems to say it all. There are no decorative elements, no apology for what is an honest study of just a tree. Indeed, it is instructive to look at this study in the light of e series of tree drawings of other oaks by Lucas van Uden, Simon de Vlieger or, to go back again in time, by Brill 20 years before. Brill still needed to clutter his tree with ruined buildings, and staffage figures. By the time that van Goyen came to draw his, it could stand on its own as a solitary manifestation of God's creation.

The British drawings excited me less, in the main because the subject of landscape art has been one of such intense research over the last decade or so. Book has followed book, exhibition exhibition, ranging over every aspect of the insular tradition. Here, inevitably, one feels confronted by isolated pieces of a larger mosaic. There is nothing new said and the visitor must content himself happily with the quality and delight of virtuoso draughtsmanship. And of that there is an abundance, from Sandy's view of Old Windsor—which makes me long for a drink at that particular pub lurking behind the trees—to Turner's astonishing effulgent view of Colchester as a setting worthy of the Second Coming.

This exhibition was put together for the Drawing Center in New York as part of the Courtauld's appeal for its new home in Somerset House. Looking through the threadbare galleries at their marvellous collection I am only glad that one of my first acts as director of the Victoria & Albert Museum was to get the Theatre Museum out of Somerset House (a singularly inappropriate location) to make way eventually for these masterpieces.

But does not one long for one of our great national institutions not to have an appeal? Are we to be perpetually reduced to showing our goods on the road like 10th-rate Autolycuses to raise a miserable dollar or two? Is there no lingering shame somewhere at the level to which our great cultural institutions have been reduced? *La Gloria?* The British do not know or care what it means any longer.

Siegfried/Covent Garden

Max Loppert

The Welsh National *Siegfried* is full of good things: I was very glad to break into the company's London *Ring* cycle at this point. This is, of course, one of the great adventure stories of opera; it can produce one of opera's most exhilarating and invigorating experiences. Though Tuesday's performance could not be reckoned that all the way through, it showed off two particular strengths—and it was just these that reminded one what a spectacular *Siegfried* can be.

One (as on Monday Rodney Milnes pointed out about *The Valkyrie*) is that the production is geared to the clearest possible execution and explication of Andrew Porter's translation. *How involving, how lacking in* dull patches, an English-language *Siegfried* sounds in a theatre where it is not at all difficult to recall original-language performances of the opposite kind (I hope the powers-that-be of the home company are taking the point loud and clear as they prepare themselves for the introduction into the house of surtitles).

The other is that in Jeffrey Lawton the production has developed for itself a hero who can engage audience sympathies in the right way. When Siegfried appears no more than a charmless bully, or a muscle-bound simpleton, the grand adventure becomes an endurance test for all concerned; Mr Lawton, a roly-poly figure who convincingly shapes the Greatest Hero in the World to his own physical and temperamental attributes, has charm, and a rough but ready intelligence of which we never lose sight.

Jeffrey Lawton and Anne Evans

If anything, the producer Göran Järvefelt has taken the amiability too far (the embrace of the dying dragon is touching but unlikely)—a refreshing misjudgment. The bulky voice, not naturally beautiful and not always focused on the notes, is musically used. Perhaps also incautiously used: Mr Lawton charged into the forging scene with such exuberance—that, too, was refreshing—that he bed plainly spent himself by the end of the opera.

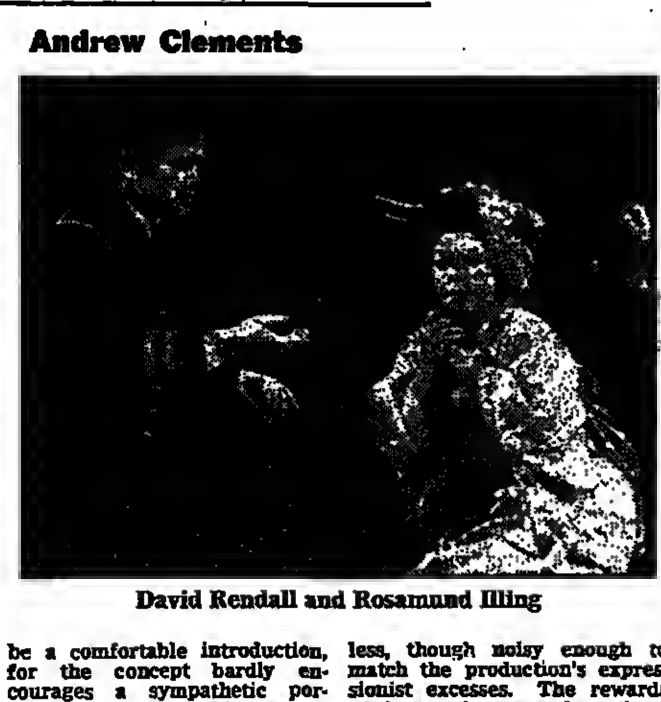
Altogether, this is a staging of many attractive qualities. But its main weakness, exactly complementary to its strengths, soon becomes clear—a want of epic dimensions. Every appearance of the Wanderer, the less-than-authoritative Phillip Joll (woolly of both tone and words), diminishes the size of the work. John Harris's shrewdly sung Mime is admirably free of whine, yet the tortured power of the character refuses to emerge. Nicholas Folwell is not yet an Alberich of Covent Garden stature, though he may well become one. The designs pen the spectacle; the Brunel-style bridge permanently overhead robs us of a boundlessly open sky for the opera's final scene. Most important of all, Richard Armstrong's steady conducting band fails to open out the grandest vistas of the music; in the Act 3 prelude it was impossible not to notice the shortage of orchestral weight. A boy-soprano Woodbird voice is a mistake.

But there were two important compensations. Though Erda's costume and whole manifestation are sadly feeble, Anne Collins' singing is so full of genuine Wagnerian substance that we soon forget to mind. And Anne Evans proves to be a Brünnhilde worth going through fire for. She was unwell, and apologised for in advance; uncomfortable phrases were evident. So were the feeling for the character, the radiance of style; even despite vocal ailment she managed to suggest a heroine at once girlish and commanding. With the arrival of Brünnhilde the enjoyable domestic scale and ensemble character of the WNO *Ring* receive a splendid amplification.

Madam Butterfly/Coliseum

Andrew Clements

When he reviewed the last revival of Graham Vick's staging of *Madam Butterfly* at the Coliseum in February Rodney Milnes suggested here that the whole production "be quietly shelved." Alas, that has not happened; far from it. The current run, the third revival of a show that is only just two years old, carries on much as before. The first act is acceptable enough, if one can tolerate the clever-clever sliding screens and the archness of Butterfly's wedding retinue, while the second delves ever deeper into Vick's concept of dirty *verismo*, piling gloss upon gloss, exploitative point upon point exploitative point until Puccini's basic melodrama is all but submerged.



David Rendall and Rosamund Illing

The reshaping of Butterfly's character as a long-lost sister to Electra, and the series of images paraded on the upper storey of the set while the tragedy should be drawing ever tighter and more personal at ground level, add an element of hysteria to the opera that is totally redundant. They risk toppling the whole carefully calculated structure into the abyss of psychotic nightmare, so that the events of the closing minutes of the opera fail to register as they should. Those who mistrust the work's basic impulse but admire the craftsmanship with which it is worked out, are not left with even that to sustain them.

There is a new Cio-Cio-San this time: *Rosamund Illing* makes her English National debut in the role. It could not be a comfortable introduction, for the concept hardly encourages a sympathetic portrayal, but even making appropriate allowances she did not suggest much conviction in either the first-act's naivete, nor the second's graded despair. She adopted a strange exotic accent from time to time, which did not help; her tone took on an acerbic edge and was tentatively phrased.

Her early unease could not have been helped by Michael Lloyd's conducting, which was slow to gather momentum and never quite achieved dramatic sharpness; the orchestral playing throughout remained lustreless, though noisy enough to match the production's expressionist excesses. The rewards of the evening came from three singers repeating their roles, particularly Anne Marie-Owens' compassionate, acute Suzuki and Rodney Macann's slightly awkward, grave Sharpless.

David Rendall was Pinkerton when the production was first seen in 1984; his return to it brings a portrayal that is certainly of a piece with Vick's ideas, an American quite irredeemable from the outset, without any saving charms or graces. Those two qualities, indeed, are precisely lacking in every aspect of the evening.

Request Programme

Martin Hoyle

Why should 65 minutes of a woman painstakingly going through the domestic minutiae at the end of the day—or, as it transpires, the end of her life—be fascinating? For it is. Eileen Nicholas has brought her Edinburgh sell-out performance of Franz Xaver Kroetz's *Request Programme* to the Perrier Pick of the Fringe season at the Donmar Warehouse, whence it transfers shortly to the Bush, that most literary example of "writer's theatre."

Which is slightly ironic since Miss Nicholas, the sole player, utters no word throughout, though she does softly join in the refrain of "Mame" on the radio.

She comes home to Fotini Dimou's scrupulously realistic bed-sit set, its invisible fourth wall revealing wash - basin, fridge and practical window. She smokes, turns the television on and off, consults the Radio Times, switches the radio on. She washes the breakfast things, puts them away, takes her apron off, lays the table, has supper (sliced ham, sliced bread and Flora, a tomato); and so on.

What keeps our attention is the feeling, paradoxically, of a life being lived to its limits. Activity fills every corner of an existence as severely constricting as the physical territory. Miss Quick (the "envelopes supervisor in a paper goods firm", as the programme describes her) moves purposefully, busily, whatever she does. When she sighs unhappily at "Come prima" or broods sorrowfully to Barry Manilow, there is no emotional slack, no hiatus. In addition, the element of spying on unguarded privacy exerts its own fascination. The audience titters nervously as Miss Nicholas drops her tights and sits on the lavatory, and chuckles with recognition as she carefully nibbles away the sodden edge of her dunked biscuit.

In Nancy Diguid's minutely detailed production the actress builds up the portrait of a pleasant woman whom one would cheerfully greet as she hurried past in the passage. Little finicky movements—fastidiously flicking ash, waving away cigarette smoke—betray incipient spinsterishness. Sensuousness and creativity are confined to the pink and grey rug she makes, caressing it gently; or the fleeting sniff she gives to the minty stalk of a tomato.

This is Eleanor Rigby country, not too far from W. H. Auden's Miss Ellen Gee. This is how John Betjeman's bachelor girls in Camden Town end up. The theme is not new; nor is the author's avowed aim, to combat conventional theatrical dialogue, really served by a play with only one character. But of the integrity of the production and acting there is no doubt. A totally silent audience is held by the last lovingly-chronicled hours of Miss Quick's life, apparently so busy that pity would be patronising, until the bout of insomnia when, suddenly questioning her whole routine, she continues, neatly, methodically, to take the sleeping pills.

Carmen/Theatre Royal, Glasgow

Richard Fairman

In the 1960s *Carmen* was played as a "real-life" opera. Singers like Resnik and Del Monaco can be heard on live recordings holding nothing back in their scenes of confrontation. Details of the score get forgotten and even the notes are abandoned, as they let the drama take hold and flare passionately out of control.

A reaction against this style (post-Puccini) was inevitable. Most recent performances of the opera have chosen a less flagrantly *verismo* approach, but few have gone so defiantly to the other extreme as Graham Vick's new production, which opened the season at Scottish Opera on Tuesday. At all points he has clearly been determined to question and rethink the traditional elements of the work, much as he did in his *Madam Butterfly*, currently being revived in London.

Carmen, he suggests, has been a picture-postcard opera too long. These sets — bare walls and a row of chairs — will not sell many holiday in Spain. On an empty stage the performers are moved around, grouped and strikingly lit (by Nick Chelton) so as to focus attention on the action more intently than mere scenery could ever do. Where his ideas do raise problems, and go directly against the spirit of the work, is in the extreme stylisation that they bring to it as well.

Before the premiere, Bizet spent long hours of rehearsal trying to get the women of his chorus to behave naturally for their first entrance. His librettist, Halévy, recalls how he fought to have "action, coming and going — life, in short." Here the women are back in formation, advancing on the soldiers of Seville like girls in a chorus-line. The fight routine is straight out of *West Side Story*. By the time the gypsies lift their skirts and do a nifty dance on the mountain tops, there is no doubt that Vick has gone too far.

Against this background the evening needs a Carmen who can cut her way through to reality. But the young American Emily Golden is not that kind of artist, understated, respectfully musical, inhibited by what is going on around her. The production robs her of Carmen's dramatic entrance. The stage simply revolves and there she is, sitting against a wall. When the "Habanera" starts, it is too slow and damp from the pit for her to make it catch fire.

Her scenes with Don José are coolly played. Gary Bachlund, making his British debut, is stiff in the spoken dialogue and does not have the ease of tone, especially at the top of the voice, for the early scenes. Only in the final duet is the temperature of their relationship raised: from a thought-provoking start, seated side by side like a contented couple, he and his Carmen finally built up some of the drama that had been held back elsewhere.

In this restraint production and music were of a piece. John Mauceri, the company's next Music Director, has a fine grasp of the texture and balance, phrasing and colour of Bizet's score. The interplay between solo flute (a lovely piece of work) and inner string parts in the Entr'acte to the third act has never sounded better. But he often holds back pace and excitement to the point where all dramatic tension is lost.

There is an acceptable supporting cast. Jane Leslie Mackenzie is a competent Micaela, and Sergei Leiferkus, despite the heavy Russian accent, something more than that as Escamillo. The Toreador's song lacked panache, but was sung with a firm, perfectly focused high baritone that is a pleasure in itself. Next time, somewhere in the cast there must be a Resnik or a Del Monaco to fire the others with the blazing commitment that the '60s knew so well.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

September 26-Oct 2

Exhibitions

LONDON

Hayward Gallery: Dreams of a Summer Night – an exhibition of painting at the turn of the century in the five Nordic countries, organised by the Arts Council and the Nordic Council of Ministers. It proves to be an important and intriguing exercise in critical reassessment, for though many of the painters enjoyed a certain contemporary fame abroad, they were with one great exception all but forgotten in the years after the First World War. Munch was that exception, and the chief value of this exhibition, which throws a fresh light on his work, is the demonstration that he was no arbitrary phenomenon but the notable product of e distinctive national and regional character. Ends Oct 5, then Düsseldorf and Paris.

PARIS

Boucher. 86 paintings and 25 drawings trace the evolution of the painter who personified, from 1730 onwards, an *Art de Vivre* of charm and seduction. His pastoral scenes reproduced by engravings, tapestries and on Sevres porcelain spread the influence of French Court art all over Europe. Grand Palais. Ends Jan 5. (4289 5410).

WEST GERMANY

Cologne, Wallraf Richartz Museum, Museum Ludwig, Bischofsgartenstraße 1: The new museum, built by the German architects Busmann and Haberer, will open this week. The initiative for the museum came from Peter Ludwig, one of the leading German collectors of Modern Art, who has donated about 300 pieces. The museum is devoted to 20th century art: French, German and American painting, including abstract art after 1945, and pop art. Also German art from the 60s to the present. Ends Nov 30. The museum is showing an interesting exhibition of 19th century German and French paintings: romantic, realist and impressionist, with works by Caspar David Friedrich, Adolph von Menzel, Wilhelm Leibl, Max Liebermann, Max Slevogt and Lovis Corinth, Renoir, Monet, Sisley, Degas, Pissarro and Manet. Pictures by James Ensor, Pierre Bonnard and Edouard Vuillard show the way to the 20th century. Ends Nov 16.

ITALY

Rome: Museo Nazionale delle Arti e Tradizioni Popolari (Piazza Marconi 8, eur): "Precious Ornaments." A large collection of Folk jewellery from all over Italy, dating from the turn of the century, illustrated with charming photographs of heavily bejewelled countrywomen. Until Nov 30.

SWITZERLAND

Lugano: Villa Favorita: Goya In Private Collections: 50 paintings by Goya, normally impossible to see and which have never travelled before. The exhibition is organised by Baron Thyssen and the Spanish Minister of Arts. Among them is the portrait of the Contessa di Chinchon, considered the best of Goya's paintings of women. Ends Oct 19.

NETHERLANDS

The Hague, Museon. The legends and facts surrounding the life and voyages of St Brendan, the 6th-century "Irish Odysseus", are examined with the aid of fancifully illuminated manuscripts and early printed books. Ends October 26.

Zutphen, Stedelijk Museum. An exhibition commemorating Sir Philip Sidney, the "flower of English chivalry", who died 400 years ago attempting to liberate Zutphen from the Spanish. Ends November 9.

VIENNA

Dian – a submerged kingdom of China: According to the organisers this is the first exhibition in the west of treasures from the Dian Kingdom, which existed more than 2,000 years ago in south-west China. Unusual

BRUSSELS

When the posters went to war: American posters through the two world wars. Musée Royale d'Art et Histoire. Ends Oct 12.

NEW YORK

Metropolitan Museum of Art: 40 Impressionist and early modern paintings from the Hermitage in Leningrad and the Pushkin Museum in Moscow include works by Picasso, Matisse and Chagall rarely seen in the West. Ends Oct 5.

Cooper Hewitt Museum: Hollywood, Legend and Reality celebrates the history of America's greatest popular culture in all its excesses and intimacies through the various crafts like production, direction, editing and special effects. Ends Oct 25.

Bravo Carnegie Hall: While Carnegie Hall is being renovated, the exhibition space at the Performing Arts Library at Lincoln Center honours the venerable venue with original architectural drawings and cutaway models along with a tribute to violinist Isaac Stern, president of Carnegie Hall, and memorabilia like the original programme of 1891 and other programme covers.

WASHINGTON

National Gallery: Viennese Renaissance sculpture from the Kunsthistorisches Museum includes work by Bertoldo di Giovanni, Andrea Briosco, and Alessandro Vittoria. Ends Nov 30.

CHICAGO

Chicago Historical Society: Louis Sullivan, a seminal figure in American architecture, is celebrated in an exhibit in the city he made architecturally famous with newly made models of his buildings along with drawings, sketches and building fragments emphasising his use of ornament. Ends Dec 31.

TOKYO

Turner (1775-1851): Over 100 oil paintings and water colours in one of the most important Turner exhibitions held overseas. Loans (20 from London's Tate Gallery) include Rain, Steam and Speed from the National Gallery, and Lifeboat and Manby Apparatus, courtesy of the Victoria and Albert Museum. Tokyo Museum of Western Art, Ueno Park. Sponsored by Nihon Keizai Shimbun and British Council. Ends Oct 5. Closed Mondays.

Nicolson Fights Croydon

Michael Coveney

"My socialism," said Harold Nicolson in his diaries, "is purely cerebral. I do not like the masses in tha flesh." In Offstage Downstairs in Chalk Farm Rd, NW1, we find Nicolson, impersonated by Angus Mackay, brewing his Ovaltine in a dingy Croydon hotel in March 1948. He was fighting, not very hard, a by-election for the Labour Party, hoping to lose honourably and gain a peerage.

Nicolson was a decent, civilised man and his diaries are one of the most enjoyable of 20th century documents. But Mr Mackay, in his own adaptation of source material to a scenario by his director Simon Callow, presents a bumbling, somewhat vacuous figure not entirely, I feel, the result of a tentative first night.

Why, in Croydon, should Nicolson suddenly start reeling off anecdotes about the Joyces and Mrs D. H. Lawrence that date from the early 1930s? (Proust was snobbish—"he used to repeet names to himself, succulently.") He is opening some books for review, thet's why, preparing for his distinguished Croydon after-life in the literary pages.

This Nicolson also drops names succulently, in between declaring that the only wey to fight Communism is from within the Labour Perty and that the only hope for the slum-dwellers of Croydon ere those handy little prefabricated houses—not exactly a pulsating vision of the future. The stories are lezily strung together as Mr Meckay pads around Bruno Santini's genteel squalid interior which is cunningly illuminated by a standard lamp, cupboard and mirror lights, most of which manage not to catch his fece for a large proportion of the penumbral 75 minutes.

Nicolson had been sent to Croydon by Herbert Morrison, but had managed to dine this particular evening in the Travellers' Club, having just realised how close he was to town. Mr Mackay reels off an unfunny story, with no punchline, about lunching with tha King of Rumania and wetting his chair with a bottle of sel volatile. Then he awkwardly chenges into his pyjamas under his dressing gown (remembering suddenly to etart shivering to explain this coy ploy) while juggling a couple more dud anecdotes about "Wystan" Auden.

Not what you would call e forcible evening, but when Mr Mackey has settled down it will afford interested persons of a tolerant disposition a few minor pleasures in the case history of an unlikely, and today inconceivable type of Labour candidate.

Sadler's Wells Royal Ballet autumn tour

The Sadler's Wells Royal Ballet's autumn tour, sponsored by Sainsbury's, will visit Cardiff, Oxford, Eastbourne and Birmingham during November and December. Joseph Cipolla, from the Dance Theatre of Harlem, will join the company.

The programmes will include the company's first performance of Frank Staff's *Peter and the Wolf.*

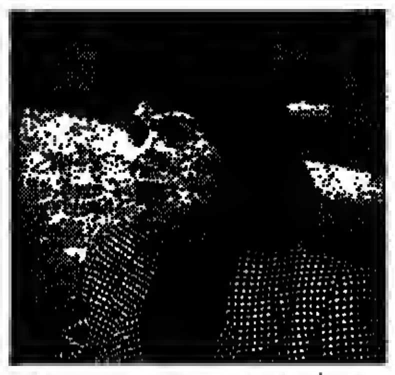
A few of the Lloyds Merchant Bank Gilts Team.

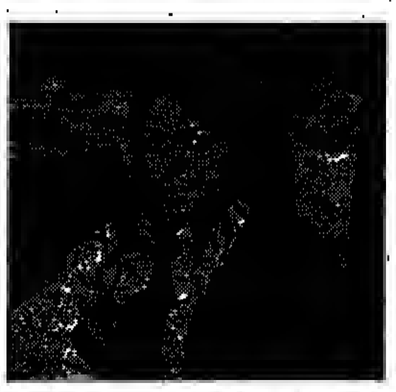

Bob Openshaw, Managing Director. 18 years' experience in the Gilt Market and a director of LIFFE.


Jack Wigglesworth, Director and Head of Gilt Sales. Vast experience with Greenwells for 15 years and previously 8 years with Phillips & Drew, a founder of LIFFE.


Roger Bootle. Respected City economist and author, best known for his definitive work on the gilt market 'Index Linked Gilts'.


Philip Foster. Ex-joint senior partner of the jobbing firm Wedd & Owen. Twenty-three years' experience in the gilt market.

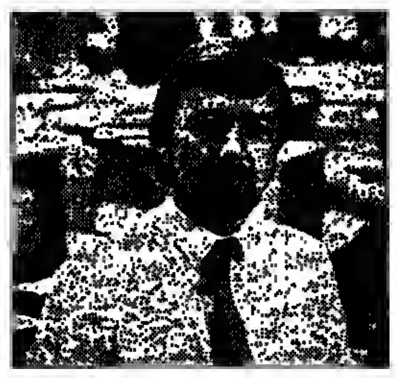

Sjoukje Schipstra. Highly qualified analyst, Head of Systems with a background in banking and capital markets.


Janet Shields. 5 years' experience in gilt broking with Pember & Boyle.

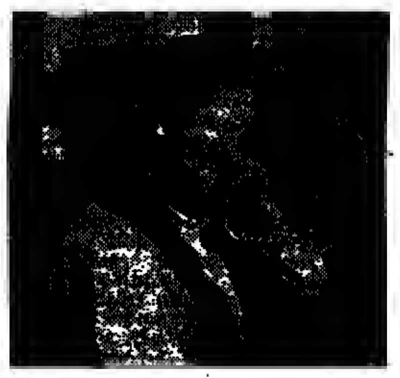

Brian Draper. Ex-university lecturer and computer programmer with 4 years' gilt experience.


Paul Ormrod, Director. Qualified accountant, computer systems specialist and experienced management consultant.

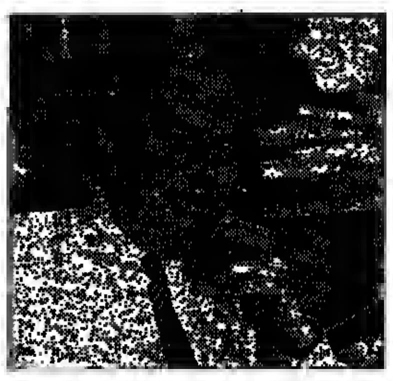

Beatrice Parrish. 4 years' experience as assistant to the Chief Economist of a major Stock Exchange broking firm, now a saleswoman.


Mark Williams. 5 years' experience as an assistant fund manager and salesman in gilts and fixed interest securities.

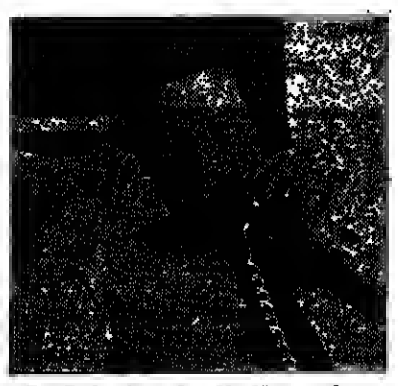

Paul Johnson, Director, 8 years' experience managing gilt and international bond portfolios, 10 years as a gilt broker.


Helene Marsh. Harvard graduate, recruited from Lloyds Bank International having joined their training programme in 1982.


Nigel Halls. 14 years' experience with Mullens involved in gilt settlements for the Government Broker.


David Nicholson, senior salesman. An Actuary with many years' experience in the gilt market including running a principal book with Scottish Life Assurance and stockbroking.


Valerie Baxter. First Class Honours Degree in Mathematics. 6 years' experience in gilt fund management.


Ray Cooke. 20 years' stockbroking experience involving all aspects of sterling bonds including corporate finance.


Ben Stanley. 7 years' experience as a gilt salesman.

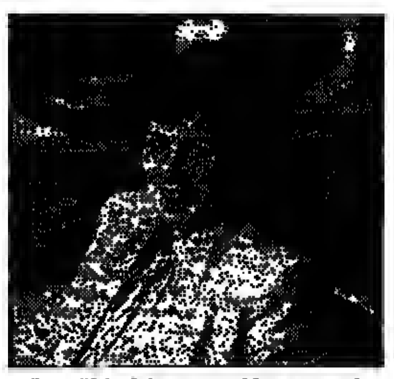
We are ready and all systems are go.


Gerry O'Neill. Business studies graduate recruited as a trainee. Has undergone an intensive familiarisation programme, now a junior salesman.


Kim Ng. 10 years with Lloyds Bank International. Heads up the secretariat – place could fall apart without her.


Peter Harrison. Ex-assistant director of County Bank. 11 years' experience managing gilt and bond portfolios.


Ray Stonehill. Assistant Treasurer of Sun Life of Canada for 12 years where he was responsible for gilt and fixed interest investments.


Jenny Hale. Saleswoman with many years' experience in gilts with leading firms of stockbrokers.

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Lloyds Merchant Bank Government Bonds

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Thursday October 2 1986

The threat to press freedom

THE COLLECTIVE high of relief that the Western press in particular breathed over the demise of the New World Information Order may have been premature. In its place, national governments seem intent on imposing unilateral restrictions on the freedom of the press. Last week alone, two very different countries, Malaysia and Cuba, took further steps along what is becoming a distressingly long road, Malaysia in expelling two reporters from the Asian Wall Street Journal and banning circulation of the newspaper for three months, Cuba is removing two correspondents, one from Reuters, one from Agence France Presse.

It would be misleading to read into these disparate cases, and others besides, too many common threads, beyond the obvious observation that all the governments in question have reasons, good, bad and indifferent, to feel defensive. South Africa's censorship of the reporting of civil unrest is nakedly designed to keep the lid on at home and to test the attentio span of critical foreign audiences. The regime in Chile has taken the same road in the wake of the attempted assassination of President Pinochet, and so, it can only be assumed, has Cuba. There is a certain crude, if shortsighted, logic to thi, approach. After all, former President Marcos's inability to keep the eyes of the world off the Philippines probably contributed to both the manner and speed of his removal.

Subjective interpretation

Other recent instances fall into different categories. Although the full story has yet to be told, China's expulsion of Mr John Burns of the New York Times earlier this summer did appear to have prima facie justification in that he indisputably travelled to parts of the country known to be off limits. Whether that warranted kicking him out is another matter. The Soviet detention of Mr Nick Daniloff is much more of a move in the superpower game. The FT is not unfamiliar with this sort of thing, having lost a Moscow correspondent four years ago in the tit-for-tat exchanges between Britain and the Soviet Union.

It would be naive to expect a world in which many countries are not democratic to adhere en masse to democratic principles, such as the freedom of the press, itself a concept liable to subjective interpretation. The Japanese press, for example is incontrovertibly free, yet it is an inextricable part of the domestic establishment and tends to go out of its way not to embarrass its government on matters where the national interest is deemed at stake. So it was last week that it conspicuously underreported for domestic consumption Prime Minister Nakasone's controversial remarks on race and intelligence in the US.

Dynamic region

But in the case of Malaysia, and in neighbouring Singapore and Indonesia, there are additional grounds for concern. South-east Asia may be a patchwork quilt for democracy, but it has been, and will remain, for the most part an exceptionally dynamic region in economic performance. It is already a player in the global economy on a big scale. This implies increasingly close relationships, indeed a form of inter-dependence, with those nations which supply it, buy from it and invest in it.

In this process, the free flow of information is an indispensible ingredient. It will not help countries which need investment funds or technological assistance to place restrictions on the fair reporting of structural features of their economies. The nature of banking in Malaysia and the extensive business holdings of the Indonesian military should not be deemed state secrets. Reporters, indigenous and foreign, should not be punished for doing their best to make them plain.

Trying to stem the flows of information is, in any case, likely to make potential investors and lenders more, not less, suspicious and cautious. The cause of foreign aid in recent years has not been helped by the evidence of misappropriation in the receiving countries, and the victims of this have been those most in need. By their actions, both Kuala Lumpur and Havana, otherwise so different, have fallen into a common trap. Far from deflecting attention from their internal difficulties, they have rendered those who matter more interested. Second thoughts are needed in both capitals.

Compensation for investors

THE Department of Trade and Industry's proposed amendments to the Financial Services Bill to encourage the establishment of a central compensation scheme in the securities markets was never likely to go down well with the Stock Exchange. But if, as seems probable, it results in a higher level of protection for investors generally, it is surely a step in the right direction.

In the early stages of the life of the bill it was assumed that self-regulatory organisations (SROs) in the City would make their own arrangement to compensate investors where their members proved unable to meet their obligations. Compensation was required to match the minimum level of cover required by the Securities and Investments Board (SIB). Alternatively, the SROs could ask the SIB to make provisions for their members on the same basis as it made for people that it authorised directly.

This arrangement looked tolerable from the perspective of the Stock Exchange. As the oldest self-regulator in the City, it had a sound record on investor protection and a large compensation fund. It could cheerfully go it alone. For the newer SROs, on the other hand, starting a compensation fund from scratch was a tall order. Not only was it potentially costly; the insurance markets were unhappy to underwrite the funds, in view of the lack of track record of the smaller SROs and uncertainties surrounding trading conditions for their members in the new climate after the Big Bang.

Cross-subsidy

Hence the SIB's decision last year to set up its own centralised scheme with minimum cover of £30,000. Those like the Stock Exchange that wished to offer better protection could then provide top-up schemes. Professional investors were to be excluded from this form of protection.

The Government has now rightly concluded that this safety net was, at best, tenuous. To carry any conviction with the public a more effective and better funded schema was needed. The new amendments therefore propose a central compensation scheme. With a far larger coverage, a central fund should be easier to finance, thereby ensuring a higher level of protection for investors.

Whether the new limits, which have yet to be revealed, turn out to be adequate remains to be seen. Certainly the original £30,000 minimum proposed by the SIB was woefully low. In the short term, however, the more heated debate is likely to be about the Stock Exchange's fear that its members will end up cross-subsidising those of other SROs with little or no track record in regulation.

Much depends on the specific nature of the safeguards that are to be incorporated in the bill. These are expected to call on individual SROs to chip into the communal pot on others' behalf only above a given level. It also remains to be seen whether the Stock Exchange's past experience in regulation will minimise calls on the central fund by its own members. In theory, at least, the other SROs could end up subsidising the Stock Exchange.

Tough proposition

Equally important is the question of representation on the body that manages the fund. It is understandable that an organisation such as the Stock Exchange should feel edgy about the prospect of having to bail out failed members of another SRO when it has no control over their behaviour.

The other heated debate is likely to turn on the practical difficulties of pushing the bill through. The welter of other amendments that emerged yesterday seems certain to cause yet more confusion in the Lords, where the pressure of business has been causing consternation in recent months. Yet it has to be said that redesigning the British system of investor protection from scratch was always going to be a tough proposition. The noble lords have little option but to soldier on.

WEST GERMAN INDUSTRY

All change on the production line

By Peter Bruce in Bonn

IT IS like watching a majestic old order crumble. West Germany's manufacturing giants, saturated with prestige, encrusted in regulation, and contemptous of almost anything they don't make, are beginning to turn on one another.

The clubbishness which has helped them avoid damaging each other since the Second World War may now be proving inadequate. Just four or five years ago, it was still fashionable for manufacturers to talk of concentrating their efforts, and expanding, in tha areas they specialised in and to do impressive sums about the treasure that awaited them in the one Western market they had not yet conquered — the US.

Today the cobblers that stuck to their lasts think they know better. Klöckner Humboldt Deutz (KHD) has spent valuable reserves huying np capacity — to depressingly little effect — in diesel engines and farm equipment. Mannesmann, which was still investing heavily in steel pipes at the turn of the decade, has just had to fire 6,500 steel pipe workers.

The old convention has given way to a new one which holds, quite simply, that only high technology companies have a future at the top of the German industrial pile. Suddenly it is very difficult to find important German manufacturers not trying to hreak into new technologies.

Big consulting groups in Germany have been besieged hy anxious calls for help by manufacturers. At McKinsey in Dusseldorf, officials say that diversification is currently a "hot topic" hut decline to discuss it. The chief of Arthur D. Little's West German operation, Dr Tom Sommerlatte, warns that "soma peopla have been almost panicked" by the "fashion to divarsify."

His staff are currently helping 10 major German manufacturers look for hrand new fields to work in and he says there are 10 more waiting to be helped. "The first question we are asked is: 'Is there a new niche availabla?' And the second its: 'Are there companies in the world in this fiald that we can aoquire that are in financial difficuty?'" he says. "Five years ago the same companies were on a completely different trip."

Big German industry may be no stranger to diversification but what is happening now is diffarent. Many manufacturers, while not quite abandoning their specialities, are seriously contemplating entering areas of business about which they may now know very little.

Many of the hig steel, as well as mechanical and electrical engineering groups looking for new growth areas—Thyssen, Krupp, Brown Boveri, VEBA, Deutsche Babcock and their cousins—are now concentrating their inquiries on hiotechnology (not so much for the chemical as the engineering opportunities it may offer), factory antomation, measuring technoingies and the manufacture of things that need to ha serviced regularly over e long time. Thyssen, in fact, has been buying up elevator companies for years because of the lucrativa service contracts attached to such business.

Some Germans believe they hava plenty of time to develop new markets like these. But it may not be that simple. The fashion to diversify has been taken up simultaneously by two industrial sub-cultures — tha "smart set" of profitable electronics, aerospace and motor groups, which have to keep pace with rapidly changing technology; and the somewhat dishevelled collection of old metal hashers and engineers to whom diversification is a matter of survival.

Companies like Siemens, Mannesmann and GHH have feet in both camps, but it was Daimler Benz that grabbed the role of upper-class trendsetter for itself last year.

Ignoring the disaster which befell Volkswagen when it stepped out of its specialist shoes and bought the Triumph Adler office equipment group, Daimler, in just 12 months over 1985-86, bought control of MTU, the diesel and aero engine producer, Dornier, the aerospace group and the country's second higgest electricals group, and then AEG. It is now the higgest company in the country, with a turnover of nearly DM 70bn a year.

What Daimler did has shaken the top of the German industrial tree, particularly those companies which already have some claim to being high tech. An ominous reminder of how rough things might now become was the departure earlier this summer from the Daimler *supervisory board of Dr Marcus* Bierich, chairman of Daimler's neighbour in Stuttgart, the Robert Bosch auto components group, and Dr Heribald Närger, a Siemens main board director.

Those enforced departures reflect the fact that Daimler will soon be competing with its suppliers, a prospect that puts Bosch under especially great pressure to make a major diversification of its own, and which, in turn, may mean trouble for Siemens. The country's big banks, traditionally big industrial shareholders or creditors may even be encouraging new competition.

"They think the companies will sharpen their claws in tha German market and then go ebroad," says Mr Sommerlatte. "The chemicals groups used to divida up the spoils between them, but then they started competing in pharmaceuticals and it really helped them in foreign markets."

In the late 1970s, Bosch and Siemens were so chummy that they merged their household appliance businesses, but now Siemens, which is struggling to find growth markets, is plotting an entry into e niche in auto electronics that has been a Bosch preserve for years—fuel injection systems. Faced wtih potential threats from both Daimler and Siemens, Bosch cannot stand idly hy.

Bosch is setting great store by telecommunications, a Siamens stronghold. The company already owns 40.8 per cent of a telecoms transmission operation, ANT Nachrichtentechnik, and through its Telenorma Telefonbau and Normalzeit subsidiary also has a small role in the production of Siemens' important digital public switching system.

> Only high-technology companies have a future at the top of the German industrial pile

But, given the growing hostility between the two groups, it is probably not surprising that Bosch has also been closely studying the telecoms joint venture being planned between ITT and the French gronp, CGE, which will have two digital switches of its own—one a direct rival to Siemens' in the German market.

The joint venture needs a German partner. Bosch, though, would have preferred to buy ITT's main West German subsidiary, SEL, outright, bnt was rejected. Luckily, Bosch's operations in telecommunications, including cellular radio, are still relatively small and leave room for expansion. There are other ways to go, a link with the computer producer Nixdorf, for instance, or with the aerospace gronp, Messerschmitt - Bolkow - Blohm (MBB), that would certainly ettract cartel office interest.

BMW, Daimler's major German car rival, is restless, too, and being Bavarian is also subject to unusual political pressures, stemming from the obsession that Bavaris's premier, Mr Franz Josef Strauss, has with guaranteeing his state the role of tha nation's technological leader.

Alarmed hy the sight of Daimler Benz acquiring vast high technology assets, Mr Strauss tried late last year to persuade BMW to take a major stake in MBB. BMW insisted on too big a stake end the approach failed, hut a tie-up between MBB and BMW remains a possibility.

Of its own accord, BMW late last year increased its 8 per cent stake in Loewe Opta, an energetic DM 226m a year producer of televisions and office equipment, to 31 per cent and announced plans to develop, jointly, new communications systems for cars.

Speculation persists ebout BMW's own future. It is controlled hy the heirs of tha late Herbert Quandt, who rescued it from bankruptcy in 1959 and the heirs have been asked by their bankers, the Dresdner Bank, whether they might not like to float their share on the stock markets. BMW would rather they did not.

Among the less sophisticated industrial majors, the pushing and shoving is already hruising. Klöckner-Werke, the steel prodncer, and Krauss Maffei, the tank maker, are already battling with each other for the rapidly maturing injection moulding machine market

Krupp, which would like to get rid of its diesel engine business but finds that diesel specialists like KHD are no longer willing buyers, is concentrating its enargies meanwhile on "new" materials like ceramics and, through its Atlas Elektronik subsidiary, building a range of cootrol, security and navigation equipment. It is taking a major role in the design of Germany's first super computer.

Such a course is bound, sooner or later, to bring it into further conflict with its steel competitors, which are also experimenting with new materials; and with established electronics giants whose most frequent post-war contact with Krupp has probably been the stainless steel cutlery in their corporate *dining* rooms.

Mannesmann belongs to this less charmed circle largely because it remains bound to its loss-making pipes business. The company is a leader now in sophisticated hydraulics, has a stake in ANT Nachrichtentechnik with Bosch, and through its Demag materials handling, Kienzle computer and Hartmann & Braun process control subsidiaries is superbly placed to take major shares of the factory and process automation markets.

But as it displayed with the ettempt to buy Dornier before Daimler did, there is an urgent desire at Mannesmann for the very finest technology.

Its chairman, Werner Dieter, remains relaxed, nevertheless. The German market for acquisitions is tight "but it is not exhausted," he says. "Probably we will have to look beyond Germany's borders more than we have and and do more of our own production abroad. One way would be to take over other companies. We are openminded about it."

Many people helieve that it is the basic industries which are more ready to be innovative, possibly out of desperation, than their up-market cousins. But, crucially, one analyst says of all German manufacturers that "you often find that companies have all the know-how to get into a new field but they have not been ehle to put it together."

This is often the fault of profit centres shunning advice from politically weak research divisions. Siemens' research division is believed to have done pioneering work on laser technology and artificial intelligenca that was never translated into production because innovators could not put any real pressure on the profit centres. Analysts are now watching with interest the birth of a technology research group at MAN.

West Germany's competitors can do little about this structural change except, perhaps, pray that the Germans make a mess of it. That may prove too optimistic a hope; hut Volkswagen's early experience with office equipment is probahly warning enough that mistakes are hound to happen.

Men and Matters

Grand Met's double bet

Grand Metropolitan's hookmaking business is not laying any odds on who will become the heir-apparent to Sir Stanley Grinstead, head of the brewing to hotel group.

But there is plenty of unofficial wagering going on at Grand Met where it was announced yesterday that a new group chief executive will be appointed by the end of the year.

Grinstead, who has combined the roles of chief executive and chairman since the death of Sir Maxwell Joseph in 1982, is due to retire within the next three years.

Front runners for the chief executive post are Anthony Tennant, responsible for the group's international operations —which include IDV, the wine and spirits division, and Inter-Continental—and Allen Sheppard, who masterminds the group's UK activities, which include Watney Mann & Truman and Express Dairies.

The backgrounds of the two men, both in their 50s, could not be more dissimilar. Tennant is an old Etonian whose patrician air belies a flair for marketing. His successes include Bailey's Irish Cream and Malibu.

Sheppard, a graduate of the London School of Economics, worked at Ford, Chrysler and British Leyland. He is a tough, straight-talking manager who commands widespread loyalty from his senior staff in his development of Grand Met's core UK businesses which have shown good profit growth at a time of relatively flat sector performances.

The major challenge to whoever inherits the crown will be in an area new to both men—the group's US consumer services business, which has aroused considerable scepticism in the City.

Both men apparently have their champions within the boardroom and the group at large—with each side stoutly believing its man will win.

The City will welcome the news that the race for the succession will soon be decided. At a time of repeated bid rumours, it would like to see a little more salesmanship devoted to the group's achievements.

Watershed

With trade unions struggling to regain their strength of yesteryear, it looks as though Nupe, the public sector union, has alighted on a novel approach. Rejecting the paraphernalia of "single union no strike" deals, it could be that Nupe is trying to enlist a fresh force to its side in *collective bargaining*.

In what is thought to be the first deal of its kind in British industrial relations, Ron Keating, the union's assistant general secretary, a devout Anglican, has arranged for Dr Robert Runcie, the Archbishop of Canterbury, to meet workers, union officials and employers in the water industry.

The *high point of the day* will be a meeting between Runcie and union officials from four water industry unions at which he will give his impressions of the Crossness sewage works.

Sweet charity

In spite of all those huge Big Bang salaries, the City's good works still go on, I'm glad to see.

The latest is Cafcash, a money market fund which has just been launched by the Charities Aid Foundation, a licensed deposit-taker which acts as a clearing house for charity money.

Cafcash has two funds, one for call money and one for seven-day deposits. The idea is to attract money from savers and institutions by offering competitive rates just like any other fund, but ploughing profits into charity.

"Sorry — we've got Duke Ellington, Count Basie—perhaps he's a pop singer?"

Michael Brophy, the Foundation's director, expects the funds to reach £50-£100m over the next five years, which he estimates will yield about a quarter of a million a year for donations.

The funds will be run by City Deposit Brokers—a specialist house in sterling deposits.

It has set up the systems at it own expense, but will collect commissions on the deposits raised.

Yesterday it was quoting 9.31 per cent for call money and 9.47 per cent for seven-day money, a touch better than a main commercial competitor, Money Market Trust, which was offering 9.08 per cent and *9.12 per cent respectively.*

Clothes pegs

The Princess of Wales, noted for her high fashion, will see today what the rest of us will be wearing next year—bank managers permitting—when she pays a visit to a Courtaulds design studio in London.

"She will see our leisure wear clothes that will be in the shops next spring," says Michael Rudman, design director.

But if Diana wants to buy anything next year she will have to go to one of the big store chains such as Marks and Spencer, or British Home Stores.

"We operate on the principle of supplying bulk at a quality and price," says Rudman. "If a buyer cannot put down a quantity order then we really cannot work with him."

That policy may sound brutal but it has paid off for Courtaulds. The group is now the biggest supplier in Britain to Marks and Spencer, and also sells under its own brand names —Lyle and Scott, Wolsey, Beriel and Aristoc.

Nursing a deal

I gather that yesterday's £100m deal between Guinness Peat Group and Forstmann-Leff was not negotiated in the most propitious circumstances.

Alastair Morton, GPG's chief executive had his wisdom teeth extracted the day before he travelled to New York and he arrived looking like a mugging victim with swollen cheeks and huge purple bruises round his eyes.

But his opposite number, Peter Lusk, was in an even worse state. He had a huge gash across his scalp and a broken arm. The night before, a burglar had attacked him in his Long Island home.

A good thing, perhaps, that they managed to clinch the deal without having to bang any heads together.

Observer

ECONOMIC VIEWPOINT

Needed: a policy for sterling

By Samuel Brittan

THE Prime Minister used to be very proud that she had vetoed full British membership of the exchange rate arrangement of the European monetary system nearly a year ago. For instance, she said et Question Time on June 10:

"At present there is no intention of joining the European monetary system. To do so would deny us an option that we have at present. If there was epeculation against sterling there would be only two ways of dealing with it if we joined the EMS. One would be to use up precious reserves, which could be done only to a very limited extent. The second would be by sharply increasing the interest rate. We should be denied the option of taking the strain on the exchange rate. I do not think it right to deny us the option at present."

Soon afterwards Mr Andrew Bain, the Midland Bank's economic adviser, wrote to the Financial Times to point out: "By staying outside the EMS framework the Prime Minister is leaving the country without a firm monetary standard and jeopardising the goal of low inflation.

"The Prime Minister wants to be able to let the exchange rate take the strain if there is speculation against sterling. But if industry and the unions know that the exchange rate will take the strain, how are they to be expected to bring down the level of pay settlements?"

If anything, Bain was too kind. For however much prime ministers want "the exchange rate to take the strain," it never is a real option at a time of pressure — as Mr Callaghan found in 1976 and Mrs Thatcher discovered in January 1985 and again this week.

The result of pretending not to have e policy for sterling is always that we have the worst of both worlds. The UK has had rampant wage inflation resulting from the absence of a monetary standard. Yet the Government bas to use up "precious reserves" —not all of which are shown in tha monthly figures.

The Bundesbank has merely lent, not given the Bank of England D-marks. The threat of a sharp rise in interest rates, which staying out of the EMS was intended to evoid, is still very much with us.

The pound's more recent weakness may have been triggered off by German and US bickerings over exchange and interest rates. But it has independent roots in worries over the trade figures, pay, credit and money, and the possibility of a Labour Government, items shuffled according to taste. The worries have been overdone, but mostly have *originated in London*. Intervention to support sterling and keep down interest rates in the money market (a process which Mrs Thatcher used to call "printing money") may buy a little time. But it cannot put right the fundamental uncertainty over monetary and exchange rate policy.

The attitude at the root of the present trouble, as it was at the root of the 1985 crisis, is that reported from Washington by Philip Stephens on September 30: "The UK official position appears to be that although there is no specific sterling rate they will defend, too sharp a drop would raise inflationary expectations and becomes self-generating." There is no hard evidence of anything more long-term than normal central hank swap operations to finance temporary intervention.

This vagueness lands us in every kind of trouble. Businessmen have seen sterling fluctuate so much thet they are understandably reluctant to take the present sterling rate as a basis for planning. How do they know that sterling will not be allowed to drift up again to much higher levels, as in 1985? On the other hand, the foreign exchange market can see no definite floor in sight, as there is no rate which the Government is pledged to defend. It is thus vulnerable to any bad news and adverse turn of sentiment; and British nominal interest rates have to be several percentage points above the other G5 countries to guard against the downside risk.

The missing factor in the current discussion is e realisation that sterling has already plunged by 20 to 25 per cent against the D-Mark in the course of the past 12 months. It is, therefore, no accident that pay has continued to rise

The CBI has reported a half per cent drop in its pay settlement index. But this is minuscule compared with the fall in both unrecorded and underlying inflation. It is also minuscule considered against the underlying growth of earnings per head of 7½ per cent and e rate of productivity increase which, even if we disregard the over-pessimistic CSO figures and take John Muellbauer's estimates, is not more than 3 per cent per annum.

As a result of the plunge in sterling, market forces have allowed employers to settle for the well-established, hopelessly inflationary and employment, destroying "going rate." The ability to raise sterling prices or increase profit margins, following depreciation, has counted for more than any amount of ministerial exhortation.

The connection between pay and sterling has been missed (a) because of the compartmentalisation of thinking about different subjects and (b) because of the English-speaking obsession with the sterling-dollar rate et the expense of the far more important rate against the Mark.

The Chancellor said at the IMF that a lower real exchange rate was "part of the mechanism that would lead to the necessary improvement in the non-oil balance," but that this would take time to affect the current account. The UK has avoided the potential inflationary effect of the depreciation because of non-recurring falls in oil and commodity prices. What the Chancellor should have said and did not was that the needed depreciation had run its course and that the Government was committed to defend sterling at its present level, full stop.

The City pessimists make the mistake, not in seeing had news ahead, but in not realising how far sterling bas already fallen to take account of it. The pound is now ideally placed for EMS membership, as German officials point out to anyone who asks. It is unforgiveable for the Government to throw the opportunity away because of prejudice, misunderstanding and political nerves.

Mrs Thatcher is fond of asking what would have happened if she had not stopped Britain joining the EMS a year ago, before the oil price collapsed. As the Treasury finds this qnestion embarrassing, let me try to answer it.

There would indeed have been an EMS realignment earlier in 1986. The oil plunge created what in Bretton Woods parlance was called a "fundamental disequilibrium" et the earlier exchange rate, which would have had to be changed. Politicians might have had egg on their faces. This much I will gladly concede.

But, having fixed e new EMS parity to take account of these forces, we would have had to stick with it. Pay increases would have been under effective check and not just subject to exhortation. There would have been e good prospect of maintaining UK inflation at the present 3 to 4 per cent underlying rate and perhaps eventually improving on it. It is extremely unlikely that any post-election government would take Britain out of the EMS, any more than President Mitterrand did when he came to power in France. Thus the Thatcher achievement against inflation would have been preserved instead of being thrown away.

Now, however, unless a firm policy for sterling is formulated quickly, the prospect is for rising inflation up to and beyond the next election.

Now that the pound is at long last appropriately valued against tha Mark a further downward movement would be disastrous for its inflationary effect. *But an upward movement would be just as bad* because it would hit overseas competitiveness.

The way to get the best rather than the worst of the situation is to tie sterling to the Mark. This can be done in three ways.

- The Chancellor can insist on a full Cabinet discussion of EMS entry. This is independently desirable for constitutional reasons.
- As a normal act of economic policy he can simply announce an objective for sterling against the European Currency Unit, to guide interest rate and intervention policy, an option known as "shadowing the EMS."
- He can instead announce a target range against just the Mark, say DM 2.80 to DM 3.

Any such move, however, loses most of its value if it is not announced. Then we have all the costs of maintaining the chosen objective and none of the benefits of a clear perception of Government intention.

But let no-one have delusions: a link with the D-Mark is not an easy option. Stability against everything is impossible; and the art of policy is to decide where to seek stability and where to tolerate fluctuation.

A link with the EMS could bring broad stability against an area accounting for three-fifths of British trade. But sterling would have to endure fluctuations against the dollar, yen and other currencies. It is doubtful, however, if such fluctuations would be any worse than they have already been.

More seriously, if we try to stabilise the exchange rate, we cannot hope to stabilise nominal interest rates. Neither intervention, nor aid from EEC funds would be sufficient to maintain sterling's EMS target rate in the face of severe downward pressure.

The epparent sacrifice is much less once it is realised that being outside the EMS has not prevented many severe emergency increases in base rate. Readiness to raise interest rates is part of the price of any counter-inflation policy, whether it operates through the exchange rate, money supply or any other set of intermediate objectives.

The monetary guidelines have collapsed as e guide to policy. Nor is the Bank of England's concern about consumer credit, mortgage debt or bank lending an operational guide, unless the Bank has soma idea of appropriate values for these variables and how to obtain them. An exchange rate link with an area or country with e proven reputation is the one way to restore credibility to the Government's sound money goals and to do something effective about inflationary pay ewards.

Lombard

Triumph of the conquistadors

By Clive Wolman

IT WAS around the year of our Lord one thousand nine hundred and eighty that the first American conquistadors crossed the Atlantic and landed in the Middle Time Zone in search of the eastern route from Wall Street to the Japans.

After passing through the industrial wastelands of what, according to legend, was once the heart of a great empire, they were told by the native peoples of a large settlement, flowing with gold, by a river.

The Americans set up their camps on the edges of the settlement. They kissed the ground and marked tha spot by planting in it an integrated dealing desk with five interactive screens and a bank of 25 telephone switches and lines. And they named the settlement "the City," after one of their most fearsome bands of warriors, the Citicorp.

Tha iovaders were reassured by what they saw. Despite their wealth, the City tribes had not yet invented the computer save as e toy ou which to play "Pacman." The use of computers for the sacred purposes of securities trading was forbidden.

The tribal ceremonies intrigued the Americans, in particular the Ceremony of tha Raised Eyebrows, in which a High Priestess called "the Old Lady" would strike fear into tha hearts of the participants. Most shocking however was the human sacrifice. One impoverished and dishevelled band of liquor-makers from the distant north, fleeing maranders, sought refuge with a brewer of dark ales believed by tha City tribes to have mystical powers. But after all the liquor-makers had put down their swords, the brewer slew their leaders. And the liquor-makers cried out to the tribes: "Is there not e man among you who will stop the shedding of blood?" And none replied.

Above all the Americans were enraptured by the tales of wealth of the tribe of Throgmorton Street and its leader, Sir Nicholas Goodizuma. From its citadel, this tribe controlled the fate of thousands of others throughout the Middle Time Zone by engaging in a strange ritual which involved the exchange of thousands of pieces of paper between men gathered around hexagonal boxes.

When the Americans entered the citadel and tried to approach the bexagonal boxes, they were repulsed and told they could speak only to those on the fringes. Thirsting for vengeance, the Americans began to plot the conquest of Throgmorton and the plundering of its gold.

They formed alliances among the other tribes that had suffered from the power and arrogance of the mighty Goodizuma. They brought into their camps around the City peoples from all the neighbouring lands ecross the see by offering them gifts from their native soil of embossed "Euro" paper from which small sections could be clipped every six months and exchanged for gold.

They were also assisted by the deep enmity towards Goodizuma of the nearby triba of the Oft. For seven years the Oft besieged the citadel of Throgmorton, before making a treaty with Goodizuma which was cunningly designed to undermine the citadel's defences.

The Americans decided to approach the citadel again and this time Goodizuma and his tribe offered them many sacrifices by way of eppeasement, including some of their favourite sons, *Scrimgeour*, Vickers and Hoare.

But showing the Americans e little of the gold merely whetted their appetites and they decided to advance their conquest through stealth. With their allies from neighbouring lands, they disguised themselves as e newly arrived tribe called the Isro and gained entry to the privete chambers on the twenty-second floor of the mighty Goodizuma. They seized him, threatened his life and demanded that he deliver his people into the hands of the Isro.

Goodizuma protested but he was compelled to call in his followers and tell them be was parleying with the Isro. For nearly six months Goodizuma remained a captive in his own chambers pleading for his honour to be spared. Finally he went before his followers to announce that a "union" had been achieved. The triumph of the conquistadors was complete.

Letters to the Editor

Trade deficit inaccurate

From Mr A. G. Horsnail

Sir,—The August trade deficit is not £886m or anything like it. Soma quick calculations suggest e more likely trade deficit in the range of £300m-£400m.

The Department of Trade and Industry as well aware of this anomaly. Its data is collected from Customs and Excise posts at ports, airports, etc, and uses foreign exchange rates prevailing on the dates that the documents are presented, le spot rates.

Normal business practice, on the other hand, is based on foreign exchanga rates prevailing at the time business is negotiated; normally four to eight months before goods are despatched. (Samuel Brittan wrote up my work on this *subject back in 1977.*) Some well-known exporters including British Aerospace, Cadbury Schweppes, Jaguar and Wedgwood operate sophisticated foreign currency pricing methods which official statistics are unable to record. Similarly well-known importers including Lex Group, Dixons, Lonrho, and RHM bring in goods with foreign currency bought et exchange rates prevailing many months ago.

I made representations some years ago to the Department of Trade and the Bank of England to develop systems of reporting which would reconcile Customs and Excise statistics with true costs. The consensus of opinion at that time was thet greater accuracy of data did not justify the extra efforts incurred.

When big currency movements occur over a short space of time accuracy of data has a bigher value.

Since the sum of trade data for the 10 leading export nations adds up to minus $50bn, in 1985, improved data collection methods could provide material improvements for economic planning over a wider horizon. Is it not worth another look?

Alan Horsnail.
T. C. Coombs & Co.,
22 City Road, EC1.

Spare parts law threatens jobs

From Mr W. N. Latey

Sir,—I wonder if your readers are aware of the devastating implications of the white paper on Intellectual Property and Innovation (Cmnd 9712)? If this is brought into law, hundreds of firms in the engineering, electronic and electrical trades will be forced to close, with the loss of thousands of jobs.

It is proposed that original equipment manufacturers shall be given five years' monopoly (reckoned from date of first design or manufacture) to supply replacement parts. For the following five years, competitors may supply spara parts under licence on terms that are not to be defined by Parliament. If terms cannot be agreed, they are to be settled by administrative decree with no legal redress. Those who supply spares in breach of the proposed law face unlimited fines and two-year jail sentences.

Will e UK electric motor supplier be imprisoned for supplying a replacement unit for an EEC sourced machine tool? Will the staff of your local Partco, Halfords or similar store be fined for selling a Quinton Hazell suspension kit for your car? And what is to become of the man who repairs your domestic appliances with "non-genuine" parts because the "official" spares are not available or too costly?

The legislation will encourage the supply of counterfeit, rather than pattern, spares, because suppliers remaining in business will have little more to lose and everything to gain if they adopt a low profile.

It is all very well criminalising business activity that bas taken place lawfully for years, but are our jails big enough to accommodate the newly redundant victims of this legislative Mad Hatter's Tea Party? Before the Government goes "through the Looking Glass" it should look again.

William Latey.
32 Aynhoe Road, W14.

Overvalued currencies

From Mr W. Grey

Sir,—In his tireless drive to persuade us of the gross and almost chronic overvaluation of sterling (and also, still, of the dollar), Mr Shaun Stewart (September 23) claimed that for the Chancellor (or rather, as he should have said, the Prime Minister) to agree to full membership of the EMS would be "playing into the Germans' hands," and above all that "a fixed rate of exchange could only impede our return to full employment . . ."

This is curious when, a few days earlier full membership of the EMS had been urged on Britain by the European Commission's director-general for economic and financial affairs, Mr Massimo Russo, hardly to be accused of Mr Stewart's kind of bias, who in particular pointed out that real short-term interest rates since 1983 have been distinctly higher (presumably to the detriment of employment) in the UK than in other member states; and when the CBI, hardly to be accused of neglecting its members' interests, onco again likewise (September 24) pleaded the same cause, pointing in particular to the damaging effect of exchange rate fluctuations on UK competitiveness.

If e "fixed" exchange rate is indeed the impediment to full employment that Mr Stewart makes it out to be, then evidently full employment in each country can only be achieved by a free fall of all currencies against each other —which is both impossible and absurd. On tha contrary, sound economic management, which includes full employment among its objectives, is best promoted (as well as most *visibly attested*) by exchange rate stability, which also happens to be the only code of international conduct which, unlike Mr Stewart's precept, advances the interests of all.

W. Grey.
12, Arden Road,
Finchley, N3.

From Mr K. Bell

Sir, — Don't you think that publishing letters such as that by Shaun Stewart are dangerous, showing that at least the Labour Party understands supply and demand capitalist economics. I for one, am prepared to vote Labour if this is their policy—anything is better than the Thatcher experiment.

Ken Bell,
22-40 Brentwood Avenue,
West Jesmond,
Newcastle-upon-Tyne.

Japanese safety standards

From Mr Y. Ochi

Sir, — As a Japanese citizen living in London, may I comment on the Japanese safety standards controversy in your correspondence column recently. I cannot help noticing how ready Europeans are to regard any move by Japan as discrimination against foreign goods, even when such moves are carried out by an organisation concerned with safety standards. On the other hand, I recognise the insensitivity and naivety of the organisation in underestimating the potential reaction of foreign manufacturers.

However, if the safety measures were to be enforced, Japanese companies would be quick enough to manufacture under the newly set standards. The European attitude seems to be to ignore local changes, perhaps as e result of e breakdown in communication with their agents in Japan.

If it is true that European manufacturers dominete the market for ski products in Japan, why do they not make the necessary changes and maintain their market share? The over-reaction of Europe reflected in the letter of Mr French (September 26) matches the insensitivity on the Japanese side. Every effort should be made to promote communication to bridge gaps in perceptions.

Yuko Ochi.
London.

No need for 'A' prefix

From Mr R. Apsion

Sir, — Stuart Lyon's sensible and timely suggestion (September 27) should be supported by everyone, especially Mr Graham Day of Rover.

Every year, as the ridiculous change of letter date approaches, we all complain thet it distorts the British motor industry, but no one in anthority has the guts to break the habit. Our factories have to keep open all year, and work overtime to build stocks for the peak sales date, while their sales organisation has to give discounts for the rest of the year. Importers with quotas can sell all their stock at leisure, without making special offers.

I believe thet New Zealand car owners get a new licence plate of a different colour, showing their county, every year, and in the US the annual licence plates are made in the state prison workshops.

We already have to pay £25 for the plates on a new car, and the Government could afford to supply them more cheaply, as it would be harder for motorists to dodge paying the so-called Road Fund Tax (no one pretends that this tax is for maintenance of roads since Winston Churchill raided it for the Treasury 60 years ago).

I only have one query about Mr Lyon's idea; as past president of the Society of Actuaries, he can work out what happens if more than 9,999 vehicles are registered in the same postal district (there are 20m on the roads).

Robert Apsion.
17, Ganghill,
Guildford, Surrey.

From Mr S. A. Middleton

Sir,—Your comment (September 22) about registration prefix numbers for motor cars prompts me to suggest that all that is needed is that the number being used on a particular car should be transferred to a new car when an exchange takes place. The second-hand car would then take over the number of the new purchaser assuming that he already owned a car.

In tha casa of a first-time purchaser, he would be allocated a new number without a prefix.

This broadly is the way it works—very well—in Bermuda.

S. A. Middleton.
43 Moor Crescent,
Gosworth, Newcastle-upon-Tyne.

FINANCIAL TIMES
Thursday October 2 1986

FUTURE OF SOVIET UN DIPLOMATS WILL BE DISCUSSED AT REYKJAVIK MEETING

Arms focus for Iceland summit

BY PATRICK COCKBURN IN MOSCOW

MOSCOW said yesterday that it wants next week's meeting between President Ronald Reagan and Mr Mikhail Gorbachev, the Soviet leader, to focus primarily on the limitation of nuclear weapons. However, other issues, including the future of the 25 Soviet UN diplomats ordered to leave by the US Administration, will also be discussed in Reykjavik.

Mr Boris Pyadyshev, the Soviet Foreign Ministry spokesman, told a news conference in Moscow yesterday that the Soviet side sees the meeting on October 11 and 12 as a working one allowing Mr Gorbachev and Mr Reagan to give clear directions to their negotiators to conclude two or three drafts on the limitation of nuclear weapons.

Mr Pyadyshev cited the issue of intermediate-range nuclear missiles in Europe as one area which holds particular promise. However, the Soviet Foreign Ministry official said the Soviet Union was prepared to discuss other topics including regional issues. Overall, he said, the Soviet Union hoped the meeting "would give a big additional impulse" to Soviet-American dialogue and that the time of a visit by Mr Gorbachev to the US for a full blown summit might be agreed.

Nevertheless, Mr Pyadyshev made clear that the problem of the 25 Soviet diplomats who were ordered to leave the US by October 1 remains an outstanding issue between the two superpowers. He said that almost all of the 25 diplomats involved are still at their posts and that their future would be settled at the Reykjavik meeting.

Mr Pyadyshev said that of the 25 Soviet diplomats accused of espionage by the US, "with the exception of six or seven all remain on duty in New York." He said that agreement had been reached to try to resolve the question of the numbers of the UN mission in New York at Reykjavik.

The defusing of the crisis in US-Soviet relations caused by the arrest of Mr Nicholas Daniloff, the US reporter, and by the US decision to compromise on the expulsion of the 25 Soviet diplomats, underlines the progress made in 25 hours of talks over the last two weeks in New York between Mr Eduard Shevardnadze, the Soviet Foreign Minister, and Mr George Shultz, his US counterpart.

The Soviet union is clearly anxious to put the Daniloff affair behind it.

Mr Pyadyshev said the Soviet Union would not publish any details of further charges against Mr Daniloff. He said that Mr Gennady Zakharov, the Soviet scientist charged with espionage in the US who arrived back in Moscow yesterday, was resting at his home in the capital. He did not rule out a meeting between Mr Zakharov and the press later.

Asked if the Soviet Union intended to allow any other Soviet dissidents to leave the country in addition to Mr Yuri Orlov, the founder chairman of the committee to see that Soviet Union abides by the Helsinki agreement on human rights, Mr Pyadyshev implied that some other cases would be favourably dealt with. Mr Orlov served seven years in prison and is currently in exile in Siberia.

Reagan's political bonus, Page 4

UK Labour Party backs end to N-plants

BY PETER RIDDELL, POLITICAL EDITOR, IN BLACKPOOL

THE BRITISH Labour Party conference yesterday overwhelmingly backed proposals for an end to the building of new nuclear power stations and for a gradual phasing out of existing plants, despite the misgivings of several MPs and trade unions in the industry.

The split among British trade unions mirrors a similar division in West Germany that was only overcome after the accident at Chernobyl.

Last May, West German unions agreed for the first time on policy renouncing the use of nuclear energy. A few months later the opposition Social Democrats (SPD), which when in government built many nuclear power plants, followed suit. However, the Government remains strongly in favour of nuclear power.

A wide division also emerged among Italian Socialists earlier this year on the question of nuclear power.

The UK Labour Party's national executive statement on its approach was approved by well over the two-thirds majority required for inclusion in the party's programme from which the election manifesto will be drawn.

An anti-nuclear power position is now, therefore, a firm Labour Party commitment and contrasts with the pro-nuclear stance of the Conservative Party and the call for a moratorium on new development from the SDP-Liberal Party Alliance (despite internal differences).

However, the Labour Party conference narrowly failed – by only 20,000 votes out of 8.36m cast – to give a two-thirds majority to a National Union of Mineworkers' (NUM) resolution calling for more immediate action leading to a halt in the nuclear power programme and to reprocessing.

The result was described as "a satisfactory fudge" by one member of the shadow Cabinet. Nonetheless, the vote shows the extent of the shift in both public opnion and Labour Party policy since it was pro-nuclear in the 1950s and 1960s.

Afterwards, Mr Neil Kinnock, the party leader, was at pains to stress in a BBC television interview that the phasing out would be a prolonged process over many years without risking a huge dislocation of power supply or employment.

The debate was by far the most impassioned and lively of the conference so far. Nuclear power was supported by several Labour Party MPs, local activists from affected areas and by union leaders such as Mr Eric Hammond of the Electricians and Mr Bill Jordan of the Engineers.

Both these union leaders sought support for the approach agreed by the Trade Union Congress a month ago of reviewing the current position and meanwhile halting new nuclear stations. But this motion was defeated.

The opponents of nuclear power were headed by Mr Arthur Scargill, the NUM president, who claimed the policy would be an election winner after the Chernobyl disaster. He was backed by other union leaders and local activists including Mrs Joan Ruddock, the former chairman of the Campaign for Nuclear Disarmament.

However, Mr Scargill's assurance that no jobs would be lost was compared to "a £8 note" by Mr Hammond.

Conference report, Page 9

BBC appointment sparks controversy

Continued from Page 1

agement, the Government and the public. The outcome depends greatly on the personalities of the chairman and the director general.

There is little doubt that Mr Hussey comes to the role at one of the most difficult times In the BBC's history. Its finances are under threat from Peacock Committee recommendations that the licence fee should in future be tied to the retail price index – a measure that would in effect seriously reduce its income.

Complaints of political bias against the BBC come almost daily. In the past month alone there have been two "rows" over the dramatisation of a First World War mutiny and whether or not the BBC tried to slant the script of a planned documentary on the Falklands conflict.

Mr Harold Evans, former editor of the Sunday Times and now editorial director of US News and World Report, speaking from a conference in New York yesterday, welcomed the news. "I found him absolutely without any political prejudice whatsoever," said Mr Evans. He was likely to be the sort of BBC chairman who would assert the independence of BBC broadcasters up to reasonable limits and was both shrewd and adroit, if not an intellectual.

"I can think of 200 worse appointments," Mr Evans said. The author of Good Times Bad Times (an account of The Times shutdown), added that it would be wrong to regard Mr Hussey "as the principal architect of disaster at The Times."

Sir William Rees-Mogg, until recently vice chairman of the BBC governors and former editor of The Times said the appointment was an absolutely brilliant choice. Apart from considerable business experience and affability, Mr Hussey had the toughness to resist the BBC's "blandishments and subversion."

Some other senior Fleet Street figures were more critical of his record over both The Times dispute and an earlier attempt to introduce new technology into the newspaper industry.

Redland buys third US quarry business

BY JOAN GRAY, CONSTRUCTION CORRESPONDENT, IN LONDON

REDLAND, one of the UK's major materials producers, has bought Genstar Stone, the US quarrying company, for £220m ($317.5m) from the Canadian Imasco corporation.

The purchase is Redland's third and largest quarrying acquisition In the US – where it is expanding to escape from a static construction market at home – and its second to be announced this week.

Five days ago Redland said that it was forming a joint venture with Koppers, a US construction materials company, to buy the Colorado-based aggregates business MPM for £24m. This followed its purchase of 80 per cent of the Texas quarrying company now known as Redland Worth for $72m in 1983.

Redland plans to pay for the Maryland-based Genstar Stone with a one for four rights issue of up to 53.81m new Redland ordinary shares at 350p per share to raise approximately £181m. The remainder will be financed by borrowings.

Redland chose Genstar Stone because, "it is a high-quality aggregates business with all the characteristics we now know to look for of large proven reserves economically located to serve a buoyant market," said Mr Robert Napier, Redland's financial director.

"We had identified the company as a desirable acquisition a year ago, but it was not for sale until Imasco decided it was only interested in retaining Genstar's financial services activities and not its construction materials business."

Imasco – the financial services, tobacco, fastfood and retailing group in which BAT Industries of the UK has a 44 per cent stake – bought Genstar for C$2.5bn (US$1.8bn) earlier this year. It is retaining only one of its subsidiaries, Canada Trustco, Canada's seventh largest financial institution, and disposing of the remainder.

Genstar Stone's key attractions for Redland are its reserves of aggregates – crushed stone, sand and gravel – and an estimated 30 per cent share of the rapidly expanding market in its home state with its $3.9bn six year road-building programme.

Robert Gibbens writes from Montreal: Since buying the Vancouver-based Genstar Corporation early this year, Imasco has sold Genstar's waste management business in the US and its Canadian cement manufacturing operation, container and marine services divisions.

Three more US building materials subsidiaries and several packages of Genstar real estate in Canada and the US remain to be sold.

After debt and taxes, Imasco hopes to raise a total of at least C$800m net from the disposal programme to be applied against the costs of Genstar.

Denmark planning tax on consumer lending

By Hilary Barnes in Copenhagen

THE DANISH Government of Prime Minister Poul Schlüter will give a new twist to economic policy next week with its plan to introduce a tax on consumer lending.

This novel idea is intended to reduce the financing of consumer spending with bank loans and at the same time avoid a rise in interest rates, which, it is feared, would kill off business investment.

The measures will be presented on Tuesday at the opening of the new session of the Folketing. They are the latest in the country's long struggle to reduce its huge current balance of payments deficit, currently running at about 4½ per cent of gross domestic product.

The current account has been in deficit every year since 1963 and not even this year's big reduction in the oil bill has managed to make a dent in the deficit, which was DKr 28bn (£3.5bn) last year.

Mr Schlüter's Government has presided over a boom in investment and consumption since 1982, with a substantial rise in employment and a decline in unemployment from about 10½ per cent in 1983 to 8 per cent this year. But it is determined to achieve an improvement in the external account without restricting domestic demand so much that unemployment starts to rise again.

The Government is also anxious to avoid measures this autumn which could make next spring's biennial collective wage negotiations in both the private and the public sectors even more difficult than usual.

While details of next week's measures are still unknown, the main outlines of the measures have been leaked.

In addition to restrictions on consumer lending, the other main measure will be an increase in energy taxes, designed to claw back consumer purchasing power released by the fall in oil prices.

The measure on consumer lending is expected to take the form of a 20 per cent tax on net interest outgoings as these feature on annual income tax returns. Interest on mortgage debt will be excluded, as will loans for business purposes.

A minimum 20 per cent downpayment will be introduced for goods bought on hire purchase, while a tax will be introduced on credit cards and big stores banned from issuing interest-free credit for the purchase of consumer durables.

The measures to reduce lending will be supplemented by savings incentives, probably in the form of a supplementary interest payment by the state on some forms of long-term savings, such as savings towards house purchase.

They will mesh with a major income tax reform which takes effect on January 1. This will reduce marginal income tax rates for most people to 50 or 56 per cent from the present maximum of 73 per cent.

The reform will make it more advantageous to save and reduce the current incentives to build up debt.

The new economic measures are less draconian than the record first half current balance of payments deficit of DKr 18bn might seem to call for, but Mr Schlüter can probably count on a normal cyclical improvement in the current account deficit to see the Government through 1987 without too much trouble.

US warning on dollar

Continued from Page 1

would help to erode the huge US trade deficit and the parallel surpluses in Japan and West Germany, but added without faster growth abroad it would not be enough.

He also appeared to signal that the US, while relatively happy with the present dollar/yen rate, expected some further depreciation of the US currency against the D-Mark.

"The dollar has reversed the appreciation against the yen that took place earlier in the 1980s and turned round much of its rise against the D-Mark," he said.

In an earlier briefing on Mr Baker's speech, a US Administration official also appeared to single out West Germany as the focus of US pressure. The official said it was still difficult to evaluate the fiscal package announced by Japan earlier this month, and the US would be looking for further efforts from Tokyo.

He added, however, that the package did show thet "the Japanese Government is aware of its international responsibilities."

In contrast, the US remained unconvinced that West Germany was doing enough to sustain the pace of output growth, despite the improvement shown in its latest figures.

Nigeria debt drive hit by oil sales fall

Continued from Page 1

at 1 per cent over Libor (London Interbank Offered Rate), with maturities of six years and a grace period of two and a half years. The principal was due to be repaid in 14 equal instalments, beginning this month.

The issue of promissory notes was made to settle debts owed to companies not insured by their national agencies. Nigeria has offered similar terms to insured creditors, even though no rescheduling could, in theory take place with export credit agencies until the IMF had endorsed the country's programme for recovery.

But there have been lengthy delays in reconciling creditors' claims with documents held by the Central Bank, and only a small fraction – around 20 per cent – of the debt incurred in the early 1980s has been covered so far by notes.

The news of the Bank's inability to pay gives added urgency to negotiations currently under way between the Nigerian Government and the IMF.

But the delay in reaching an agreement with the fund, and the fall in oil revenue, has exacerbated Nigeria's already acute financial difficulties.

World Weather

Readings at mid-day yesterday: C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

S African miners in biggest ever strike

Continued from Page 1

city of East London with a strong defence of the principle of racially separate living areas.

Referring to the forthcoming report of the President's Council on the workings of the Group Areas Act, Mr Botha said: "The principle of own residential areas is the cornerstone of our minority population policy."

He said that he did not know everything contained in the Council's report, but added," You will have to get rid of me first before you get rid of this principle."

Mr Botha, who 20 years ago was responsible for the eviction and resettling of over 100,000 "coloured" (mixed race) people from the District Six area of Cape Town and defended this action as slum clearance, yesterday returned to this theme when he said that opening up residential areas to all races would push coloureds and poor whites back to the status of slum dwellers.

"I am pleading for the poor when I plead for the retention of community life (meaning racially separate communities)," he concluded.

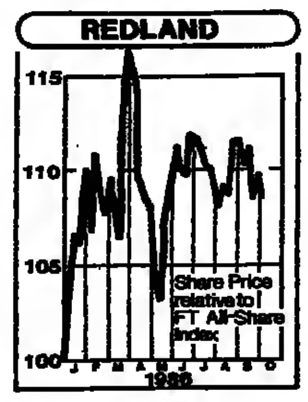
In another variation of this theme Mr Louis Le Grange, the Minister for Law and Order who until now has tended to blame unrest in black townships on "agitators", yesterday blamed the decrepit conditions in the townships for the fact that police were stoned and reviled.

"We have to apply security measures along with social upliftment. Black and coloured townships are so often so decrepit it is no wonder they are throwing stones. Many of them have no water, street lights and refuse removal," he told the Congress.

THE LEX COLUMN

Early season of goodwill

For the second time this year, the discount houses have been invited round to the Bank of England to be force-fed with delectable short-term money at below market rates. So long as the clearing banks can fund themselves at the short end of the market, base rates at 10 per cent should be safe.



Redland

Just when the market thought it was safe from yet another equity-financed acquisition in North America, Redland weighed in yesterday with a $317m deal to buy some holes in Maryland, to be financed chiefly through a one-for-four rights issue. The goodwill purchased, amounting to over $200m, would hardly recommend the deal even in a more confident market or one that went overboard for Boots' purchase of Flint or thought Ted Bates was brimming with tangible assets. Throw in Guinness Peat's purchase of some fund managers in New York yesterday, and the total of UK acquisitions in North America this year is now comfortably through $7bn. As Hoare Govett points out, the greater part of this has been goodwill.

It was more than just underwriting blues that sent Redland's share price tumbling down through the theoretical ex-rights price to close 33p down at 386p – for all the world as if the issue had been a one-for-one.

In truth, there is no danger that the goodwill at Genstar Stone, a group of Maryland quarries, will walk out of the door: the antiquated book values can be written up to eliminate the bulk of the goodwill, and still leave an awful lot of gravel.

Redland's management is prudent and thorough: it is buying high-quality reserves and a dominant market share in the Baltimore region. But for these reasons, it has paid a very high price and will probably not be able to achieve the swift pay-back of Redland Worth, bought at a cheaper stage of the US building cycle. Americans seem to know about the cartelised multiples of the UK building sector and have extracted a price, from a semi-public auction dominated by UK companies, that implies some earnings dilution for Redland.

Earnings dilution should at any rate be the last thought to trouble shareholders in Guinness Peat. Its acquisition of Forstmann-Leff is warranted to produce $13m a year for the next three years, which should come through the Guinness Peat tax shelters in Chicago as £5½m of earnings. That looks like adding about 30 per cent to last year's GP earnings in exchange for 8 per cent of its enlarged equity. Good performance from Forstmann over the next seven years could trigger lots of bells and whistles, including the issue of a great many Guinness Peat warrants, but the deal is carefully designed to ensure that the vendors do best if they do well by Guinness Peat. Nobody is trying to deny that the initial payment of around $80m is buying a company with tangible net worth of $1m; a people business certainly, but another large chunk of goodwill.

Amstrad

Over the past few years Amstrad's annual profits statement has been the spur to an instant gallop in the shares, as growth has outstripped the imagination of even the most ardent of Mr Alan Sugar's supporters.

This time the market had finally got the knack of drawing straight lines of the necessary angle, and the near fourfold rise in pre-tax profits to over £75m left the share price unmoved at 136p. What is doubly impressive is that these profits suggest an increase in operating margins from 14 per cent to 25 per cent.

Only suggest, because Amstrad does not believe in breaking down its figures into such items as interest-paid or profit by business sector. It apears that the almost forgotten audio and visual side contributed about 30 per cent of turnover and 20 per cent of profits.

By the end of the year Amstrad was sitting on cash of about £50m, about half of which will leak out of the company this year to finance the increased working capital involved in the launch of the revamped Sinclair Spectrum and the new series of business computers.

The only problem with the IBM-compatible business computer is that Amstrad is finding it impossible to match the demand. One likely outcome is that Amstrad may become the first computer company to increase its prices.

The launch of the business computer range seems not to have dented sales of the PCW word-processor, the driving force behind last year's profits. Amstrad is successfully attacking new markets, necessary if the company is to be more than a speculation on a two-year product cycle. Amstrad should make at least £120m pre-tax this year, putting the shares on a multiple of not much more than eight, which appears to leave room for the traditional pleasant surprise.

Privatisations

The shares in British Gas Corporation have not been priced, let alone underwritten. And market conditions between the underwriting and public subscription are a mystery. Yet NM Rothschild feels able to assure the market that the flotation will be "a huge success." And why not? The seamless flow of hype as TSB turns into British Gas should probably induce the desired public response, even though institutions might prefer to use such old fashioned methods as the reading of a prospectus.

The plan to guarantee all customers a minimum allocation of £250, could in theory generate £4bn worth of subscriptions. The point behind the propaganda is presumably to ensure enough of a squeeze on the amount made available to institutions to guarantee a reasonable price in the market once dealings start.

At that point, gas consumers will be hurriedly resurfacing as air-travellers. At least the British Airways campaign got away to a more restrained start, yesterday, when BA's adviser Phillips & Drew was talking in a circular about floating the airline at roughly two-thirds of the UK market multiple.

INTERNATIONAL APPOINTMENTS

Alcan appoints president and picks new chairman

BY ROBERT GIBBENS IN MONTREAL

MR DAVID NORTON, one of three executive vice presidents of Alcan Aluminium, the Canadian-based, international aluminium concern, has been appointed president of the company following resignation of Mr Patrick Rich, the executive vicepresident for Europe, Africa and the Middle East. The appointment puts him in a strong position to succeed to the top job at Alcan in the future.

Mr Morton, 56, a 32-year Alcan veteran, will also be chief operating officer with day-to-day responsibility for running the worldwide operation.

David Culver, 61, now president and chief executive will become chairman and continue as CEO. The chairman's position had been vacant since Mr Nathanael Davis retired early this year. All the changes take effect on January 1.

Mr Rich, 55, had been assumed to be a contender for the presidency. However, he said in Geneva: "My heart is in Europe and I would not have accepted the position even if it had been offered." He said he was leaving Alcan on the friendliest of terms. He is to become managing director of Société Générale de Surveillance in Geneva, an international services company. Mr Rich has been with Alcan 27 years, serving in Latin America, the Middle East and in Europe.

Alcan's European operation will now report to Mr Morton in Montreal. Mr Archie Black, the third executive vice president, who runs the Pacific operation, will also report to Mr Morton.

MR DUANE E. COLLINS (above), is to become international president of Parker Hannifin, which makes fluid-power components and systems for the industrial, aerospace, automotive and marine markets.

Mr Collins, who is 50, takes up the post on January 1 in succession to Mr Robert C. Barnd, who is to retire. He will have responsibility for Parker Hannifin's operations in 15 countries, including Parker's European manufacturing and marketing activities. He has been with the company since 1961.

Parker Hannifin had sales of over $1.2bn in the year to June 30.

Standards board

Mr Dennis R. Beresford, national director of accounting standards of Ernst & Whinney, the public accounting firm, has been appointed chairman of the US Financial Accounting Standards Board. This corrects an error in last week's International Appointments column.

Black & Decker chief executive joins board of ITT

MR NOLAN D. ARCHIBALD, president and chief executive officer of the Black & Decker Corporation, has been elected to the board of directors of ITT, the US communications corporation.

Black & Decker is US-based, but operates in more than 50 countries, and is a leading producer of power tools as well as one of the largest suppliers of household products and small appliances.

Mr Archibald, aged 43, joined Black & Decker as president and chief operating officer in September, 1985. He added the title of chief executive officer in March 1986, and was cited recently by Fortune Magazine as one of the 10 most wanted managers in the US.

Before joining Black & Decker, Mr Archibald had been with Beatrice Companies since 1977.

* * *

GREAT WESTERN Financial Corporation, the Californien thrift concern, has announced that Mr John F. Maher, managing director of Shearson Lehman Brothers, the Wall Street investment house, has been elected president and chief operating officer.

Mr Maher, 43, has been a director of Great Western since 1976, and from 1973 to 1976 served as executive vice president, finance.

He succeeds Mr Robert B. Holmes, 54, who recently announced that he was resigning to pursue other business interests.

Hinton moves up at Mobil

MR JOE B. HINTON, vice president and general manager of Mobil Oil's marketing activities in the US, is to become president of Mobil Europe. He will be responsible for the company's European marketing and refining operations and will succeed Mr Paddy W. Wilson, who is retiring after 35 years with Mobil, on October 20.

Mr Hinton began his own career with Mobil in 1954 and is succeeded in his present post by Mr Thomas C. Deloach, vice president, US supply and planning, of Mobil's US marketing and refining division.

Mr Deloach joined Mobil as an engineer in 1969 and took up his present position in May this year.

Walsh takes senior Union Pacific post

MR MICHAEL H. WALSH has been elected chairman and chief executive officer of Union Pacific Railroad, third largest rail system in the US.

Mr Drew Lewis, currently chairman and chief executive officer of Union Pacific Railroad, will become president and chief operating officer of Union Pacific Corporation when Mr Walsh's appointment takes effect.

Civil servant for Mitel

BY BERNARD SIMON IN TORONTO

MITEL, the Canadian telecommunications equipment supplier acquired earlier this year by British Telecom, has appointed Mr David Golden as non-executive chairman, to replace BT's Mr Derek Vander Weyer, who is to retire soon as deputy chairman of the British group.

Mr Golden, aged 66, is a distinguished former Canadian civil servant whose other interests include the chairmanship of Telesat Canada, operator of the country's communications satellites. Mr Golden, a former Oxford University Rhodes scholar, has been a director of Mitel since 1984. He is also a director of Pratt and Whitney Canada, and of Provigo, a leading Quebec retail chain.

In his civil service career, Mr Golden held senior posts in the departments of defence production and industry.

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Financial Controller

Watford **c. £20,000**

Our client, Ealing Electro-Optics plc, is a USM-quoted company which designs, manufactures and markets high-precision optical and electro-optical equipment. With substantial markets in both the UK and the USA, they are presently engaged in a programme of expansion both organically and by acquisition.

They now wish to appoint a Financial Controller who will hold key responsibility for financial and management accounting, budgeting and forecasting. The Group is at an exciting stage in its development and is currently strengthening its systems and controls. The Financial Controller will be directly concerned with a large-scale computerisation exercise and the overall job will encompass many other special projects.

Candidates will probably be in the broad age range of 30-45 with proven experience of controlling a manufacturing operation. They must be able to demonstrate strong inter-personal skills along with the creative flair necessary to make a marked contribution to the company's development.

Please apply to Anthony Jones, Career Plan Ltd., Chichester House, Chichester Rents, Chancery Lane, London, WC2A 1EG, tel: 01-242 5775.

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Written applications, enclosing up-to-date curriculum vitae, should be submitted in strict confidence to Eric Sutton at our London address, quoting reference no. 1030/7135.

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Group Financial Controller
Director Designate

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A Director Designate is now required to manage the accounting function and co-ordinate all financial matters pertaining to the group. The development of sophisticated systems to improve operational efficiency, at both group and divisional level, and effective utilisation of external financial facilities will also be within your remit.

Aged between 30-45 and probably a graduate, you will be a qualified accountant with broad based financial experience of computerised group accounting ideally in an industrial environment. The personality and presence to command respect with a multi-discipline workforce together with strong analytical skills and acute commercial awareness are essential for this high profile appointment.

This is a long-term career move for a suitably qualified professional candidate, offering future directorship and an attractive remuneration package to include a performance related bonus.

Interested applicants should write to Geoffrey Rutland ACA ATII, Executive Division, enclosing a comprehensive C.V. and daytime telephone number, quoting ref. 351, at 39-41 Parker Street, London WC2B 5LH.

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Director Designate

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The Financial Controller will be responsible to the Managing Director for all financial matters and will take a full and active part in the management of the company. In particular, he will set up automated financial systems, establish first class credit control procedures, advise on management of funds and recruit appropriate staff. He will also be required to advise on financial aspects of trading agreements – especially minimisation of exchange control risks.

Candidates aged 28-35 years must be qualified chartered accountants with management experience – ideally in a company trading in electronic components or computer equipment. The successful candidate will also have demonstrable experience in developing, installing and managing computerised financial systems and credit control.

Attractive benefits include a 2 litre car, such as a BMW 320i, bonus, private health cover, life insurance and equity participation. There are excellent prospects for career development and early promotion to a directorship is anticipated.

Please send your CV with current salary details to Richard Brasher at the Maidenhead address below or telephone 0628 75956 for an informal discussion.

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Interested candidates, who match these searching requirements, should send a detailed CV, including current salary, to Don Day, FCA, quoting reference LM15 at Spicer and Pegler Associates, Executive Selection, Friary Court, 65 Crutched Friars, London EC3N 2NP.

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You should be in your late 20's to mid 30's, with at least five years' post-qualification experience. This should preferably have been gained within the capital markets or in a financial institution. Good communication and staff management skills are essential, as is a commercial approach.

Please write in confidence to: Jane Woodward, Executive Selection Consultant (ref 7651).

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Opportunities for career development within the company and the group are excellent. A generous benefits package will include a competitive salary, a car, private medical health insurance and a performance related bonus after a qualifying period. Full relocation expenses are available where appropriate.

Interested candidates should contact John Zafar on 01-831 2000 (till 8pm) or write, enclosing a comprehensive c.v., to Michael Page Partnership, 39-41 Parker Street, London WC2B 5LH.

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Our client, one of the leading names in the international banking field, has recently promoted a number of Financial and EDP Auditors in its European Audit team. Consequently it seeks to recruit new audit professionals for this important area.

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Interested persons should write to **Darrell Smith, Audit Consultant,** enclosing a personal history at the address below. Alternatively, he can be contacted on **(01) 831 2288** day or **(01) 444 3559** (evenings & weekends). Naturally, all responses will be treated in strictest confidence.

Gabriel Duffy Consultancy, Financial Selection and Search, 31 Southampton Row, London WC1B 5HJ

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The successful candidate will report directly to the managing director and be responsible for developing effective cost control systems and advising on issues of corporate and financial planning strategy.

As a member of the senior management team the postholder will be expected to gain credibility and contribute to the commercial success of the company by interpreting and communicating management control information to all levels.

They require someone who is self motivated and practical in a demanding environment.

Applications are invited from candidates with at least ten years' post qualifying experience. A salary of c. £25,000 is offered and there is an excellent benefits package. Relocation assistance will be provided where appropriate.

Please write in confidence enclosing career details and quoting reference FES/210 to:
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Group Financial Accountant

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You should be a qualified accountant and able to demonstrate a sound grasp of financial reporting systems. The ability to grow with the job and the organisation is considered to be very important.

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Please write in confidence with full career details to Philip Bainbridge, Selection Consultant, ref. B.35029.

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INTERNATIONAL LEISURE GROUP plc

Head of Finance

LONDON S.E.

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Applicants should be qualified accountants and have wide experience in manufacturing industry. Salary is negotiable at £30,000 and there is a car and other attractive fringe benefits. Prospects are very good.

Please send a comprehensive career résumé, including salary history and day-time telephone number, quoting ref: 2711 to WL Tait, Executive Selection Division.

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We hope to appoint a Graduate with at least 3 years of Management Accounting experience in an Operational Company who recognises this as a stimulating career move. Someone who will make full use of the sophisticated database and spreadsheet systems at their disposal.

The future prospects and the rewards (including relocation) are attractive as is the lifestyle offered in Felixstowe . . . low-cost housing, beautiful countryside and coastline and superb leisure facilities.

If you're ready to grasp the opportunity, please phone Roy Gibbs on 0394 693431 or Graham Murchie on 0394 693429 during office hours. Alternatively write to Catriona Jenkins with your CV at British Telecom, Room 2126, 23 Howland Street, London W1P 6HQ. Please quote ref: FT35.

British TELECOM
International Products Division
British Telecom is an Equal Opportunities Employer

FINANCE MANAGER

An expanding international fund management company in the City invites application for the above position:

Job description:

- Supervision over the preparation of accounting records for the Company and its clients;
- Production of semi-annual and annual reports and budgets for unit trust under our management;
- Preparation of statutory returns;
- Supervision over office administration.

Job requirements:

- Self-motivated and dynamic character;
- Professional qualification in accountancy;
- At least five years' post-qualification experience, preferably from a similar service industry;
- Good communication skills.

Competitive remuneration package will be offered to the successful candidate. Please forward your curriculum vitae with expected salary and a recent photograph to:

Box A0287, Financial Times
10 Cannon Street, London EC4P 4BY

ASSET MANAGERS PLC

DIVIDEND CLERK

An experienced dividend clerk is required for a leading fund management company specialising in private client portfolios. The applicant will be responsible for maintaining all client dividend records. Salary will be negotiable according to age and experience.

Apply:– Asset Managers PLC, Plantation House, Fenchurch Street, London EC3M 3DX.
Telephone: 01-220 7231

Accountancy Appointments

Appointments Advertising

£41 per Single Column Centimetre and £12 per line
Premium positions will be charged £49 per Single Column Centimetre

For further information, call:
Louise Hunter 01-248 4864
Jane Liversidge 01-248 5205
Daniel Berry 01-248 4782

Financial Accounting

In a rapidly expanding, major UK retailing group

North London c.£20,000 + benefits

Following a recent merger and as a result of the ensuing growth in this well-known group's activities, an exciting opportunity has been created within this small, but dynamic and committed finance team.

As a recently qualified and ambitious accountant, aged mid to late 20s, you will have man-management capability and the ability and confidence to work with management at all levels.

Responsibilities will encompass the development of both financial and management accounting procedures, preparation of the statutory accounts and monitoring of the cash position. Further duties are likely to include the tax affairs and wide-ranging ad hoc projects. The role offers man-management experience and excellent exposure to sophisticated computer systems and high-level management reporting.

Success here, added to energy, enthusiasm and initiative, will lead to outstanding career development prospects within this highly-regarded organisation.

To apply, please send cv, indicating current salary to Fiona McMillan, Ref: SSA8/1065/FT.

PA

PA Personnel Services

Executive Search · Selection · Psychometrics · Remuneration & Personnel Consultancy

Hyde Park House, 60a Knightsbridge, London SW1X 7LE.
Tel: 01-235 6060 Telex: 27874

Newly Qualified/Finalist

City c£16,000

We are one of the largest stockbrokers in Western Canada and having established a branch in the City we now require a professional accountant to join our team.

Working closely with the Managing Director and the dealers, responsibilities will include day-to-day accounting, cash and trade books, clients statements, liaison with Vancouver head office and the development of enhanced computerised systems. The aim is to develop our operation and the range of products so the role promises interesting opportunities and challenges in providing the support for these developments.

As a key member of a young, dynamic team good communication skills and a mature but adaptable and flexible approach are essential. The successful candidate will be ready to employ a "shirt sleeves" approach in a hardworking and stimulating environment.

Please write in confidence enclosing career details to
M.J. Bieber, Managing Director Continental Carlisle Douglas (UK) Ltd.,
12th Floor, Winchester House, 77 London Wall, London EC2N 1BE.

CONTINENTAL CARLISLE DOUGLAS (UK) LIMITED

Members Vancouver Stock Exchange, Alberta Stock Exchange, Montreal Stock Exchange, FIMBRA

Ability and experience really can be more important than qualifications

Growth minded Business Finance Professional to manage the Customer Finance Function of a dynamic high-technology company

c£25000 West of London Quality Car

A substantial part of our client's business involves the on-going supply of computer systems to organisations which, in turn, add value and "sell-on" these systems to end-users. This environment entails the constant review of existing credit facilities, negotiation of revised finance arrangements and creation of new financing packages to assist the sales effort over all. The objective is to maximise sales with the minimum commercial risk – with all this entails in terms of managing sensitive situations within a framework of conflicting motivations.

We seek, therefore, a person who has the managerial skills to lead and further develop the existing Customer Finance Team – and who has the commercial experience to evaluate the financial viability of small companies, some of which may be under-capitalised. Personal visits to selected customers during the re-assessment process is a vital part of the job. We are describing, therefore, a senior and important role which has far reaching consequences in the development of both our client's business and the businesses of its customers.

Whilst formal Business Credit Management experience together with Membership of the relevant professional Institute would be ideal, selection will ultimately be made on the basis of ability. Depending upon the particular background of the person appointed, a number of paths can provide further career progression. You will be joining one of the world's best known international companies which offers an excellent package with large company benefits.

Applicants should write, high-lighting the more relevant experience, to David May at PDL (Recruitment Consultants), Elliott House, 28A Devonshire Street, London W1N 1RF. Tel. 01-486 8991.

PDL Management Selection

Dixons Group plc

Group Financial Executive

Edgware to £22,000 + Car

Dixons Group plc need no introduction as a leading force in high street retailing. Its recent and well publicised rapid expansion highlights its dynamic management style and aggressive stance in the marketplace.

Due to the continuing expansion programme, an opportunity has been created for a young, ambitious and commercially minded accountant to play a key role in the group management team. Reporting to the Group Financial Controller, you will be responsible for reviewing the operations of subsidiary companies and providing financial and business input into the strategic decision making processes. In addition you will work with Group Senior Management on a variety of ad-hoc and project related assignments.

This is an extremely high profile job which will allow the successful candidate to use and develop their initiative, creativity and business sense. Career prospects within the group are excellent.

The successful candidate will be a top calibre ACA aged ideally 25 to 28 with excellent communication and analytical skills and the ability to succeed in a demanding and stimulating environment.

If you believe you are of the calibre our client requires, contact Tim Forster on (01) 831 2000 or write to him at Michael Page Partnership, 39-41 Parker Street, London WC2B 5LH.

MP

Michael Page Partnership

International Recruitment Consultants
London Windsor Bristol Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

Assistant Financial Analyst

-PROJECT APPRAISAL-LONDON

We are looking for a Financial Analyst to work as part of a small team responsible for the financial appraisal of capital projects and of other major plans and policies at British Gas Headquarters in central London.

The successful applicant will have a numerate degree and/or an appropriate professional qualification (not necessarily in accountancy) and will have experience in project appraisal, probably in a large company. Some experience of using computer techniques would also be an advantage.

Starting salary will be in the range of £13k to £16k (currently under review). Benefits, including relocation expenses as appropriate, are those you would expect from a large progressive organisation.

To apply, send full personal and career details quoting reference FIN/00095/026, to Liz Randall, Senior Personnel Officer (HQ Services), British Gas plc, 59 Bryanston Street, London W1A 2AZ.

An equal opportunities employer.

British Gas

ENERGY IS OUR BUSINESS

FINANCE MANAGER

EUROPE

UK based c.£20,000 + car

Our US client is opening an office near Heathrow Airport, from which to control the marketing and distribution of its medical equipment and related electronic products to the UK, Europe and the Middle East. They seek a finance manager to join the small executive team.

The main tasks will be to establish and maintain effective accounting and administrative controls, to prepare budgets and cash forecasts for the region against which actual results will be monitored and to look after all local tax, legal and general administrative matters.

Applicants must be qualified, preferably graduate ACAs with at least three years commercial experience, ideally related to the importation/distribution function and the high-tech sector; a good knowledge of the use of PCs is vital. The salary is negotiable around £20,000 p.a. plus car and usual benefits. The post will involve some travel to Europe, the Middle East and the US.

Please write in confidence, with full career details, quoting reference 6521/L to John W. Hills, Executive Selection Division.

PEAT MARWICK

Peat, Marwick, Mitchell & Co.,
165 Queen Victoria Street, Blackfriars, London EC4V 3PD.

Management/ Computer Auditor

PROGRESSIVE HIGH TECHNOLOGY ENVIRONMENT

Salary: c.£19,500 + car Kent, Surrey, Sussex

Our client, a British company – part of a very large multinational group, is a world leader in the design and manufacture of high technology products with a turnover of £170m.

This senior position arises due to promotion of the previous incumbent. *Reporting to the Group Internal Audit Manager, responsibilities will cover* management audit and investigations, and the vetting of new computer systems to be installed within the company's factories.

A keenly ambitious person is required who, after initial indoctrination, is able to work entirely on their own initiative. Whilst preference will be given to fully qualified chartered accountants with at least 2/3 years post qualification experience, consideration will be shown to unqualified candidates who have practical experience in public company factory audits, preferably in the electronics industry.

The remuneration package will include a contributory pension scheme and five weeks holiday p.a. Prospects for advancement within the multinational group are exceptional.

Applications in strict confidence with full CV to Brian G. Luxton under ref 6887.

MERVYN HUGHES Mervyn Hughes International Ltd., Management Recruitment Consultants, 37 Golden Square, London W1R 4AN Telephone 01-434 4091

EUROPEAN ANALYSIS

Accountant to £25K

Our client, a well established UK Stockbroker with backing of a major continental European Bank, requires an accountant to join its highly successful and expanding European team.

Candidates should have a financial control or auditing background. Specific knowledge of European accounts would be an advantage.

A good working knowledge of French and/or German also required.

For further details please write or telephone in strict confidence quoting reference SM1561

Rochester Recruitment Limited
22A College Hill
London EC4R 2RP
Telephone:
01-248 5346 (0532 220151 Evgs)

FINANCIAL SERVICES MANAGER

Thames Valley

c.£20,000 + car + Bank bens.

Due to expansion and strengthening of the finance function, our client, a leading Finance House, has created a new opportunity for a commercially minded accountant.

Reporting to the Finance Director, the main tasks will be the provision of strategic and financial plans and the appraisal of branch, product and dealer profitability. In addition, the Financial Services Manager will be responsible for heading a department of seven, and developing management information systems. You will also play a leading role in new product appraisals and acquisition studies.

Candidates will be qualified Accountants aged 28-35, and well equipped to play an influential role in the future strategy of a fast moving organisation. Experience gained in financial services with specific involvement in corporate planning would be an advantage.

An attractive remuneration package is offered including non-contributory pension, preferential mortgage facility, private health insurance and a quality company car.

All applications will be discussed with our client and candidates should therefore indicate any organisation for which they do not wish to be considered.

Please apply directly in writing to Suzzane Wood.

Robert Half Personnel, Mountbatten House, Victoria Street, Windsor, Berks SL4 1HE. 0753 857181.

ROBERT HALF

FINANCE DIRECTOR (DESIGNATE)

Somerset

Age 30 – 35 c £20,000 + car

This new post arises in an established manufacturing subsidiary (turnover £6 million) of a major group supplying the food and catering industry. The company has recently embarked on a three year plan to move out of its mature market into innovative higher margin products. The policy is achieving initial success and a commercially minded qualified accountant is now sought to take responsibility for the finance, purchasing and administration functions.

The successful candidate will be expected to improve management information systems and to contribute fully to management decisions. Appointment to the board will be based on performance after about 12 months *and prospects thereafter will include* general management opportunities with the parent group.

Please send a comprehensive career résumé, including salary history and day-time telephone number, quoting ref: 2712 to G.J. Perkins, Executive Selection Division.

Touche Ross

The Business Partners

Hill House, 1 Little New Street, London EC4A 3TR. Telephone: 01-353 8011.

Accountancy Appointments

Group Accountant

London — **from £25K to £30K + car**

Our client is a highly successful international services company involved in a variety of business sectors throughout the world with a current turnover of £1 billion.

An opportunity has arisen for a Group Accountant who will report to the Group Controller and be responsible for the preparation of monthly management accounts, group plans and statutory reports. The introduction of new computer systems and the incorporation and implementation of the latest technical accounting procedures will also be within your remit.

Aged late 20's/early 30's, you will be a graduate ACA, either from the profession or a suitable commercial environment. As a key member of the new financial team, you must be decisive, confident and able to communicate effectively as you will be working closely with subsidiaries and other head office departments. Sound technical knowledge and the ability to create computer systems are essential.

For a determined individual who is keen to become involved in the broader aspects of an expanding organisation, the prospects for career progression are excellent. The salary will be negotiable depending upon experience and the package will include a company car, BUPA and contributory pension scheme.

Interested applicants should write to Philip Rice ACMA, Executive Division, enclosing a comprehensive C.V. and daytime telephone number, at 39-41 Parker Street, London WC2B 5LH, quoting ref. 352.

Michael Page Partnership
International Recruitment Consultants
London Windsor Bristol Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

FINANCIAL CONTROLLER

ACA/ACMA/ACCA + 2 years PQE + non-smoker

Computer Industry — **London SW1** — **c.£25,000 + car + excellent benefits**

Our client is the U.K. subsidiary of an American multi-national, a world leader in its particular sphere of state of the art software technology. Rapid growth has lead to the need to strengthen the finance function by the appointment of a Financial Controller, reporting to the Managing Director, to take full responsibility for the day to day running of the department. A key task will be the design and implementation of accounting systems and procedures. The company makes extensive use of high technology equipment.

To succeed in this exciting and vital organisation, you must not only be qualified and have a minimum of 2 years' PQE but a sound knowledge of computer systems and a positive, lively personality. You must also be capable of making a major contribution to the running of the business. Prospects are excellent.

Written applications, enclosing up-to-date curriculum vitae, should be submitted in strict confidence to Eric Sutton at our London address, quoting reference no. 1028/7128.

410 Strand, London WC2R 0NS. Tel: 01-836 9501
163a Bath Street, Glasgow G2 4SQ. Tel: 041-226 3101
India Buildings, Water Street, Liverpool L2 0RA. Tel: 051-227 1412
113/115 George Street, Edinburgh EH2 4JN. Tel: 031-225 7744
Brook House, 77 Fountain Street
Manchester M2 2EE. Tel: 061-236 1553

DOUGLAS LLAMBIAS
Douglas Llambias Associates Limited
Accountancy & Management Recruitment Consultants

Treasury Manager

Middlesex — **c£24,000 + car + bonus**

We are acting on behalf of a highly successful International Group Headquarters of a major US blue chip company whose exceptional financial stability has been built around aggressive marketing strategies. A specialist in healthcare products, our client has projected a $150 million turnover in the next twelve months and is committed to further growth and expansion.

Reporting to the Vice President and Controller, the Treasury Manager will be responsible for instigating a long term plan to upgrade the treasury systems. The role has an asset management bias but you will also establish a close rapport with the corporate treasury function in the US and develop close relationships with financial institutions in the City.

Aged 26-32, and preferably with an accountancy background, you must have a proven track record, working in an autonomous capacity within a US multinational. The ability to work effectively to the highest professional standards in a pressurised environment, identify business opportunities and the flexibility to travel are essential.

International prospects with the group are excellent as corporate treasury is viewed as a desirable promotion route to controllership or operational responsibility.

If you feel you have the personal presence and personality to meet the challenges of this demanding appointment, please write to Geoffrey Rutland ACA, ATII, Executive Division, enclosing a comprehensive c.v. and daytime telephone number, at 39-41 Parker Street, London WC2B 5LH, quoting ref. 350.

Michael Page Partnership
International Recruitment Consultants
London Windsor Bristol Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

Key financial, administrative, business support role

Commercial Management

c£20,000 + car + London weighting — **West End**

A leading $1.2 billion US manufacturer of high technology equipment is continuing to expand its successful UK operations with a policy of regionalising its sales and support functions.

An exciting opportunity has emerged for a high calibre individual with a business related degree or accountancy background to take up a new role as Regional Support Manager based in London. The role will provide dedicated financial, administrative and commercial/business support to sales, systems engineering and customer service management. In a truly "dynamic" environment, day to day problem solving, performance analysis and advice on business deals are the key tasks as a central member of the management team.

Aged 27-35 you will have had at least five year's business experience in an administrative/financial function, in a computerised office environment. Strong commercial awareness and interpersonal skills are vital. The attractive benefits package will include relocation assistance where appropriate.

Please send your career and current salary details to David Edwards or telephone him on 0628 75956.

MKA SEARCH INTERNATIONAL LTD
MKA House
King Street
Maidenhead
Berks SL6 1EF

INTERNATIONAL FINANCE

High-tech — **Cambridge** — **from £25,000 + car**

The Cambridge Instrument Company plc has an enviable reputation for innovation in the development of scientific instruments, semiconductor equipment and industrial products. This well-known multinational has achieved consistent growth over the last five years. Following the acquisition, earlier this year, of Reichert-Jung, Group turnover has more than doubled and now over 3,000 employees are engaged in product development, manufacturing, sales and support activities, involving several different technologies in locations throughout Europe, North America and the Far East.

In response to this growth and in anticipation of exciting plans for future development, the following new positions have been created within the corporate financial team.

Group Chief Accountant

An ambitious chartered accountant with a high level of technical expertise is sought to take full responsibility for the financial consolidation and reporting activity of the Group, involving close liaison with overseas subsidiaries. Reporting to the Group Finance Director, but with a high level of autonomy on accounting matters, you will also monitor currency exposures and taxation aspects within the Group's complex fiscal structure.

An independent thinker, you should have the ability to develop and refine accounting policies and procedures, and have worked at management level to US and European accounting standards. **Ref: SSA8/1046/FT.**

International Accountant – Operational Review

Working closely with the Group Finance Director, this new role will entail reviewing the operations and financial performance of the subsidiaries to ensure conformance to corporate standards and compliance with best business practices. You will advise and influence management in all areas of the business.

This role requires a young, self-motivated accountant, probably aged late 20s, with strong communication skills, and offers excellent career progression as well as extensive international travel. You should have experience of operational review, ideally gained in an aggressive audit department of a US multinational. **Ref: SSA8/1047/FT.**

Both appointments have excellent, negotiable salary packages, which include a company car and comprehensive benefits, as well as relocation assistance to this delightful city.

If you like the pace and intellectual challenge of a high-pressure, high-technology environment, and your ambitions match those of a growing international group, then please send your cv, quoting the appropriate reference and indicating current salary, to Fiona McMillan,
PA Personnel Services,
Hyde Park House, 60a Knightsbridge,
London SW1X 7LE.
Alternatively, telephone her on 01-235 6060.

Cambridge Instruments

Ambitious, Articulate Public Sector Accountants

to £25,000 — **plus car & other benefits**

Coopers & Lybrand Associates is one of the leading firms of management consultants in the U.K. with an established and expanding role in all aspects of the public sector both in the U.K. and overseas.

We are therefore looking for young, ambitious, qualified accountants with relevant experience to make a positive contribution to the development of our domestic and international business in the energy, water and transport sectors. You will be ready to take on a variety of challenging assignments using your technical skills to diagnose, analyse, and resolve wide-ranging managerial and financial issues.

You will be a self-starter between the ages of 27 and 32 who can demonstrate rapid career progression. You will be called upon to use your personal and technical skills as part of a multi-disciplinary team and be given the opportunity of advancing your own career whilst aiding the continued expansion of Coopers & Lybrand.

We offer a remuneration package up to £25,000 plus car and PPP with further rewards geared to achievement.

If you feel that now is the time to capitalise on your public sector experience and realise the potential built into your career so far, please send a résumé quoting ref: E04/14 including a daytime telephone number to Alan Goodman, Coopers & Lybrand Associates, Plumtree Court, London EC4A 4HT.

Coopers & Lybrand

GENERAL APPOINTMENTS EVERY WEDNESDAY

Planning a career move or just looking? Then check the General Appointments pages every Wednesday. Need to recruit high calibre staff? Contact Louise Hunter on 01-248 4864 for details of how to advertise.

COMPANY ACCOUNTANT
SMALL COMPANY — BIG PLANS
Guildford

My client offers a quality service to a broad range of business users. The company has an enviable record of growth over the past four years; future plans are increasingly ambitious. As the company grows, so does the need for professional expertise, because growth isn't simple

But you know this already. You are a young Accountant who has qualified with a large practice. You may have sampled commercial life first hand or you may be helping companies achieve their objectives from a professional/consultancy base. You know about the glamorous side of growth, the implementation of sophisticated computer systems, the planning towards USM flotation, the cut and thrust of commercial life. I hope you also know about the less glamorous side, the routine accounting, the routine administration.

You also know what's required of an individual who's going to be a driving force within such a company; strength of purpose, an incisive mind, dedication to achieving results and an understanding of people.

All in all, you know a lot. If you want to DO a lot, then contact me, Nigel Murray, either by telephone or in writing.

Telephone: (0483) 65566 (out of hours (0730) 67806)

Management Personnel
Shaw House, 2 Tunsgate, GUILDFORD, Surrey GU1 3QT

TAKEOVER FEVER !

ACAs/CAs/ACCAs/ACMAs/MBAs — **neg. to £22,500 plus car**

Our City based client has an annual turnover of c.£1,000m which has been built up through a frenetic series of takeovers during the last 2 years.

This British Group has major subsidiaries in the UK, UNITED STATES and AUSTRALIA and seeks several young ACAs/CAs/ACCAs/ACMAs/MBAs or equiv. in the age range 23-32 to monitor and review the business operations in each individual subsidiary. Around 10 weeks of the year will be spent in either U.S.A. or Australia.

The successful candidate will have a combination of positive attributes. He or she must be a flexible self-starter, precise, logical, assertive and able to communicate with management at all levels.

Please telephone and send your C.V. to:
Tim Wingham, ACA,
ACCOUNTANCY APPOINTMENTS EUROPE,
1-3 Mortimer St., London W1.
Tel: 01-580 7695/7739
01-637 5277 ext 281/282

Accountancy Appointments Europe

Accountancy Appointments

REDWOOD PUBLISHING LIMITED

FINANCIAL DIRECTOR

£25,000 + CAR

Redwood Publishing is a young and dynamic magazine publishing house. Backed by four City venture capital institutions it has, in 3 years, established itself as one of the most exciting new publishing companies in the commercial sector.

We wish to appoint a Financial Director who will have total control of our finance and accounting functions. The company operates in a disciplined financial environment and a crucial requirement is the provision of timely and accurate management information. The job also encompasses the duties of the company secretariat.

Aged 27/35, the successful candidate will have the relevant professional qualifications and commercial experience. He, or she, will be appointed an Associate Director of the company and will be a key member of the senior management team. This will entail sharing in the strategic direction of a company where the main emphasis is on expansion and growth.

The job is based in the company's attractive offices in Covent Garden. Please send a full cv, in confidence, to Philip Sturrock, Chairman, Redwood Publishing Limited, 141/143 Drury Lane, London WC2B 5TF.

Group Financial Accountant

A challenging opportunity for recently qualifieds

West London c.£18,000 + benefits

This high-technology aeronautical and electrical group is greatly expanding through a strategy of organic growth and tactical acquisitions. Planned future growth has created an excellent opportunity for an ambitious, self-motivated, recently-qualified accountant.

Reporting to the Group Financial Controller, this role initially will involve co-ordinating the financial and management reporting of the group, from consolidation and statutory accounting to advising the autonomous subsidiaries on procedures. In addition, you will have increasing involvement in acquisition work and will monitor, for example, cash-flow, funding, and potential currency and tax exposure.

Excellent career opportunities exist within the group as a result of this expansion, and it is likely that promotion to a Controllership/Directorship of an operating subsidiary will occur in the short to medium term.

You should be an ACA/ACMA/ACCA, aged mid-20s, with the ability to liaise confidently at all levels and work in a highly pressurised environment. It is essential that you have microcomputer experience and the desire to make a positive contribution to the continued success of this organisation.

An excellent negotiable remuneration package which will include relocation assistance is payable, dependent on age and experience.

To apply, please send cv, indicating current salary, to Fiona McMillan, Ref: SSA8/1066/FT.

PA

PA Personnel Services

Executive Search · Selection · Psychometrics · Remuneration & Personnel Consultancy

Hyde Park House, 60a Knightsbridge, London SW1X 7LE.
Tel: 01-235 6060 Telex: 27874

Financial Director -Designate

Not less than £23,000 p.a.
plus Rover 2.6 car
London SW6

Our client is Mann & Overton Ltd., for 80 years the main *supplier and financier of London type taxi cabs* and now part of the Menganese Bronze Group.

This energetically directed enterprise seeks e Chertered Accountant to head tha finance and computer functions end to ect as Company Secretary.

The post calls for finance end accounting experience in a customer conscious business retailing consumer durables and for significant computer familiarity. A motor trade beckground is highly desirable and a knowledge of insurance and purchase financing would help.

This is an excellent opportunity to join an enthusiastic and expert team end contribute positively to the expansion of this successful and expanding firm.

Candidates up to the mid-forties are asked to write, with a cv and daytime telephone number, quoting reference 1477, to:-

BinderHamlyn
MANAGEMENT CONSULTANTS
Trevor Austin, Executive Selection Division
Binder Hamlyn Management Consultants
8 St Bride Street, London EC4A 4DA

North West £15,000 + Car

Assistant to Chief Accountant

Our client is one of the biggest retail enterprises in the UK. Restructuring in the central finance function calls for the appointment of an Assistant to the parent company Chief Accountant through whom reporting will be to the Group Financial Controller. The fundamental job purpose will be to evaluate existing systems and methods and to recommend and implement improved procedures for provision of information to the Group parent Board – all to be based on latest computer technology.

Aged mid-20's upwards and a qualified Chartered Accountant, the successful candidate will demonstrate an ability for creative analysis, familiarity with micro-computers and their capabilities, crisp presentation and a concern for performance to tight deadlines.

We seek an enthusiastic self-starter. In return, our client offers both ample opportunity to grow and a generous benefits package. Assistance will be given with necessary relocation expenses.

Letters of application, together with CV, salary progression and any other relevant data should be sent without delay to the Managing Director, Performance Management Limited, 8th Floor, Peter House, St. Peter's Square, Manchester, M1 5BH, quoting ref: P114.

PM Performance Management Limited
MANAGEMENT CONSULTANTS

CHARTERED ACCOUNTANTS WITH BANKING EXPERIENCE

London £ Negotiable + Benefits

Ernst & Whinney's extensive and expanding banking industry group blends its specialist accounting and consulting skills into a cohesive client service.

We wish to hear from ambitious professionals with practical experience of accounting, consulting or auditing in the financial services industry who would welcome the prospect of joining the team. The wide range of our banking practice will provide excellent opportunities for the full deployment and extension of existing skills.

Those with strong technical expertise together with commensurate energy, commitment and communication skills can expect to see rapid career advancement. The preferred age bracket is 26 to 35.

There are also a small number of vacancies for newly qualified Chartered Accountants with auditing experience gained in the financial sector.

Please write with full c.v. to Barry Compton.

E&W Ernst & Whinney
Accountants, Advisers, Consultants.
Becket House, 1 Lambeth Palace Road, London SE1 7EU. Tel: 01-928 2000.

Management Accountant

Join the European Market leaders in welding equipment

ESAB Group (UK) Limited is a subsidiary of a major international company with a dominant position in the market for welding equipment and consumables.

We are looking for a qualified or part qualified Management Accountant to work in the Group's finance department at Waltham Cross, responsible for all aspects of accounting for the central distribution operation. This challenging role involves working closely with management in a highly computerised environment and includes analysis and control of distribution costs, budgeting and stock control.

Ideally aged 26-35, you must be flexible in your approach and looking to develop your career in industry. Salary is negotiable up to c.£17,000 depending on your qualifications and experience.

Please write with full career details to
Mr. John Davies, Personnel Manager,
ESAB Group (UK) Ltd.,
Hertford Road, Waltham Cross,
Herts. EN8 7RP.

ESAB ESAB GROUP (UK) LTD

FINANCE MANAGER

c £17,000 + car.

Our client, a profitable manufacturing company, forming part of a major international group, is seeking to recruit an ambitious qualified accountant.

This is an exceptional career move for a young, highly motivated accountant capable of taking responsibility for the entire financial and management accounting spectrum. Working as part of the management team the successful candidate will have the personality and self confidence to provide financial advice within the company, at all times demonstrating commercial awareness.

Proven experience gained within a manufacturing environment is essential, as is familiarity with computer systems, standard costing procedures and budgetary controls.

In addition to an attractive remuneration and benefit package including car, this key position carries excellent short and long term prospects with this growing organisation.

If you are interested, please send a full CV to: Confidential Reply Service Ref G.M.L.3, c/o Harrison Cowley, 5/7 Forlease Road, Maidenhead, Berkshire SL6 1RP.

Harrison Cowley
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Hoggett Bowers

Executive Search and Selection Consultants

BIRMINGHAM, BRISTOL, CARDIFF, GLASGOW, LEEDS, LONDON, MANCHESTER, NEWCASTLE, SHEFFIELD and WINDSOR

Young Management Accountant

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SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Thursday October 2 1986

Bouygues acquires a 10% stake in Spie-Batignolles

BY PAUL BETTS IN PARIS

BOUYGUES, the leading French construction group, has acquired a 10 per cent stake in Spie-Batignolles, the rival civil engineering concern controlled by the French Schneider conglomerate, in a further attempt to expand its operations.

Bouygues, which recently took over Screg, France's second largest construction group, and has announced plans to diversify in the television broadcasting industry, acquired the 10 per cent stake in Spie-Batignolles through share purchases since the beginning of last year.

The group, with sales expected to total FFr 46bn ($6.9bn) this year, is understood to have paid about FFr 200m for its stake. It has so far bought 483,875 shares in Spie-Batignolles, which posted sales of FFr 18.2bn and profits of FFr 145m last year.

Although Spie-Batignolles has so far reacted calmly to the Bouygues move, regarding it essentially as a financial operation, industry officials and financial analysts suspect that Bouygues has bigger designs on its competitor.

The Schneider group which owns 57 per cent of Spie-Batignolles sees its construction subsidiary as one of the "most important" components of the large private conglomerate. This suggests that Schneider is likely to resist any hostile takeover bid for Spie-Batignolles.

Spie-Batignolles has clear attractions for Bouygues, which is already collaborating with Spie in the Eurotunnel channel fixed link project. Spie's pipeline laying business would complement Bouygues' offshore oil activities, while its strong electrical businesses would reinforce those of Bouygues.

Bouygues has said it intends to continue its expansion through large investment projects.

The group expects its profits to increase this year from earnings of FFr 468m last year and recently announced plans to raise FFr 1bn through an issue of non-voting stock to finance a series of new investments.

Mr Francis Bouygues, chairman and founder of the company, has said he plans to acquire a large stake in TF-1, the French national television channel due to be privatised by the conservative Government.

An eventual tie-up between Bouygues and Spie-Batignolles would consolidate Bouygues' position as the leading French construction group and possibly the world's biggest.

Financial analysts yesterday suggested that Bouygues stood to make a strong financial gain from the current operation even if its ultimate designs were thwarted by Schneider and Spie-Batignolles.

Bouygues has always made it clear that it would not be content to remain a sleeping partner in any venture. It stands to make a large capital gain from its stake in Spie-Batignolles, whose shares have advanced strongly on the bourse over the past 16 months.

Pratt Hotel withdraws bid for Resorts

By Anatole Kaletsky in New York

PRATT HOTEL, the Dallas-based hotel and casino operator, has withdrawn its $110m bid for Resorts International, the owner of extensive casino and land interests in Atlantic City and the Caribbean.

Pratt announced its withdrawal yesterday after the estate of Mr James M. Crosby, the late chairman of Resorts, failed to respond to its $100-a-share offer. The estate's executors have 44 per cent voting control of Resorts, and Pratt clearly concluded that a hostile bid was doomed to failure.

Mr Jack Pratt, the bidding company's chairman, said yesterday that he would not begin a tender offer for Resort's shares, a course which he previously said he might consider. Instead, he said that Pratt would now pursue two other potential casino acquisitions

Pratt currently owns the Sands hotel and casino in Atlantic City and recently acquired a 37 per cent stake in a new Puerto Rico casino. Resorts International owns one large Atlantic City casino and has announced plans to build another $400m complex nearby.

It also owns the Paradise Island hotel and casino in the Bahamas and provides corporate security and seaplane services in the Caribbean. It has extensive landholdings in Atlantic City and has been regarded by Wall Street as an attractive breakup prospect since the death of its founder, Mr James Crosby, last spring.

Last month Pratt had offered to buy 340,783 Resorts B shares held by the Crosby estate. The purchase was to have been followed by a tender for the outstanding shares at the same price.

Mr Pratt said he was "surprised and disappointed" that representatives of the estate had failed to respond to his proposal before the September 30 deadline.

Montedison chairman faces new battle over La Fondiaria control

BY JOHN WYLES IN ROME

MR MARIO SCHIMBERNI, chairman of Italy's Montedison group, today faces a new offensive organised by Mr Enrico Cuccia of the powerful Mediobanca merchant bank against his purchase of a large shareholding in a Florence-based insurer.

The battle between the two men is becoming a matter of personal crusades, with Mr Cuccia apparently defending traditional Italian business practices and patterns of financial power and control and Mr Schimberni seemingly bent on changing the mould.

At Mr Cuccia's insistence a meeting has been called for this morning in Florence of the shareholders' control syndicate of La Fondiaria. Montedison now holds much the largest stake in Italy's seventh-largest insurer following Mr Schimberni's controversial purchase in August of a 12.4 per cent shareholding to add to his group's existing 25 per cent holding.

Mr Cuccia's intention, now shared by Mr Schimberni, is to dissolve the control syndicate and to create a new one. As a result, the process looks set to become a bitter and long drawn-out battle for control of La Fondiaria whose outcome could determine the future leadership of Montedison.

Mr Cuccia has reportedly lined up 33.616 per cent of La Fondiaria's shares against Mr Schimberni's 37.5 per cent with another 8.448 per cent said to be leaning Mediobanca's way.

The Montedison chief has been put further on the defensive by an announcement on Tuesday that the Milan chief magistrate has opened an inquiry into the Montedison purchase to ensure that there was no breach of Italian foreign-exchange regulations.

According to Montedison's version of events, the controversial packet of shares was acquired from Credito Italiano and Banca Rasini.

However, it appears that they were purchased over several preceding months by five Swiss-based institutions: Interallianz, Industrie und Handelsbank, Dow Banking, BFC Bank, Bank Leu, and by Bank Gutzwiller Overseas of Vanuatu.

The shares were then reportedly offered to a Milan stockbroker who sold them on through the two Italian banks to Iniziativa Meta, Montedison's listed services subsidiary, for L740bn ($528m). The foreign institutions are thought to have paid between L400bn and L500bn for the shares, but it is not known if they were acting for their own or someone else's account.

The magistrate's intervention follows preliminary inquiries by the Guardia di Finanza – the Italian financial police force – and the authorities are stressing that no evidence has yet been found of wrongdoing.

The investigation is unlikely to figure in today's proceedings at which Mr Schimberni, according to Montedison sources, will make a "very strong" statement. He wrote last week to Mr Michele Castelnuovo Tedesco complaining that Mr Cuccia was accusing him and his company of breaking a moral commitment.

The 78-year-old Mediobanca director maintains that the Montedison purchase knowingly breached an article of the control syndicate's agreement and that the syndicate should be dissolved and reformed after consultations between its members "and other important Fondiaria shareholders."

RVI cuts first-half loss to FFr 460m

By Kenneth Gooding in Paris

RENAULT Véhicules Industriels, (RVI), the commercial vehicle subsidiary of the state-owned French group, reduced its first-half loss from FFr 800m in 1985 to FFr 460m ($69.2m), Mr Philippe Gras, chairman, reported yesterday.

He indicated the loss for the full year would be about FFr 1bn compared with FFr 1.5bn for 1985 and said the group remained on course to break even in 1988.

Mr Gras said during the preliminaries to the Paris Motor Show that the first-half result was encouraging in view of the steep drop in export demand – deliveries fell by 17 per cent – which cut turnover by 3 per cent to FFr 8.4bn.

RVI has started another restructuring programme to cut costs further, reduce the break-even level and improve productivity which had already risen from an average of 2.07 trucks per employee per year in 1984 to 2.6 and would be more than three at the end of 1987. This will involve a further cut in the workforce of 2,624, mainly indirect labour, taking it to 19,000 by the end of 1987.

Mr Gras said RVI would need more money from the parent group to restore its balance sheet at the end of this year. A total of FFr 3.4bn was needed.

Gulf & Western takes $90m gain

GULF & WESTERN, the US publishing and consumer product group, is to take a pre-tax gain of $90m in its fourth quarter ending October 31 following completion of the sale of the old Madison Square Garden site in Manhattan for $100m, Reuter reports.

The property was sold to affiliates of the Zeckendorf, World Wide Holdings Corp, Arthur Cohen and K. G. Land N.Y.

Allianz plans large funding

By Our Financial Staff

ALLIANZ, the West German insurance group, said yesterday that it might raise more than DM 600m ($300m) through an issue of profit-sharing certificates before the end of the year.

Its claims experience so far in 1986 had been satisfactory and on balance good growth had been achieved. The 1986 results would reflect these twin factors, the company said.

While overall growth was good, the group's divisions and regions had put in a varied performance. For example, premium income of domestic non-life insurance had gained 4 per cent in the first eight months of 1986, down on the 1985 period.

Dome misses payment to West German bank

BY CLARE PEARSON IN LONDON

DOME PETROLEUM, the troubled Canadian energy producer which is asking holders of Swiss-franc and dollar bonds for a deferral of interest and principal payments, yesterday said it had not made a payment of about C$400,000 (US$289,000) to Bayerische Landesbank, scheduled for Tuesday.

Both Dome and Bayerische Landesbank took pains to point out that the non-payment would not trigger a chain reaction of "cross defaulting" on other loans. Dome said that this would not happen because it had received waivers from lenders of three other loans with respect to non-payment to Bayerische.

But Bayerische Landesbank said that a waiver was not necessary because the payment was directly a credit instalment and so it did not consider itself a lender. The spokesman declined to elaborate on the nature of the payment.

Bayerische said that negotiations on repayment of the sum would continue.

Today and tomorrow holders of five dollar bonds issued by Dome will meet in London to consider Dome's waiver proposals.

This follows a meeting Dome held on Tuesday with its Swiss-franc bond holders, when it asked for an extension of the waiver period until the middle of next year.

Guinness Peat expands in US

BY DAVID LASCELLES, BANKING CORRESPONDENT, IN LONDON

GUINNESS PEAT Group, the UK financial services company, is expanding its presence in the US market by buying Forstmann-Leff Associates, a privately owned New York investment advisory company, in a deal worth about $145m.

The acquisition, which will result in GPG earning more than half its profits in the US, is to be paid for with a complex mixture of cash and GPG stock intended to retain the company's present management for up to six years.

Forstmann-Leff was founded in 1968 and currently manages some $4.5bn of funds, mainly pension funds and profit-sharing plans. It is 88 per cent owned by its senior management and has billings which are running at an annualised rate of $29.6m.

Initially, GPG will pay $63.25m in cash and issue a $5m promissory note. It will also issue nearly 20m shares to the vendors who have agreed not to sell them for two years. After that, the vendors will get the opportunity to buy up to 30m more shares by 1992 at a price of 112p next year rising in stages to 160p in six years' time. There will also be a performance-based cash payment in 1989.

GPG shares closed last night at 80p, up 1p.

Although its financial year ended on Tuesday, the group is not making a profit forecast in connection with the purchase although it indicated yesterday that the dividend would be increased by 18.4 per cent to 2.25p.

If the Forstmann-Leff management subscribe for the maximum of shares under the deal, they will end up with 50m, or about 15 per cent of the Guinness Peat Group's enlarged stock.

In return GPG will receive half of Forstmann-Leff's revenues after all running costs.

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Akzo buys Monsanto chemicals unit

By Laura Raun in Amsterdam

AKZO, the Dutch chemicals and fibres company, has bought the paper chemicals business of Monsanto, the US chemicals giant, for an undisclosed amount.

The acquisition is in line with Akzo's strategic policy of strengthening its special chemical operations, making the Dutch company the world's second-largest concern in paper chemicals behind Hercules of the US. The Monsanto business, led by FRP Company of Baxley, Georgia, also fits in with Akzo's desire to expand its overall US activities.

FRP makes special resins used in paper, printing inks and coatings and employs 100 people. Akzo declined to give the company's turnover. Monsanto will continue to produce selected paper chemicals at its Nitro, West Virginia, plant under Akzo management.

Akzo also refused to reveal its current sales in paper chemicals, which include Pioneer Chemicals of the US, a maker of defoamers, debonders and sizes. In Europe, Akzo Chemie manufactures resin sizes, surface sizes and alum.

The Arnhem-based Dutch company still is believed to be looking for further US acquisitions to rebuild its sales there after last year's sale of American Enka.

FEW FIREWORKS EXPECTED IN W. GERMAN PRIVATISATION

IVG flotation to raise DM 163m

BY ANDREW FISHER IN DÜSSELDORF

THE LAST company to be offered, in part at least, to investors under West Germany's cautious privatisation programme is a motley collection of property, transport, oil storage and research activities.

Through the sale of 45 per cent of the shares in IVG, or Industrie Verwaltungs Gesellschaft – roughly translatable as Industrial Management Company – the Government will raise some DM 163m ($81m).

Neither the company nor the issuing consortium headed by Dresdner Bank is expecting any fireworks from the issue, which was priced yesterday at DM 165 for each share of DM 50 nominal worth.

It is the sort of share to be bought, said Mr Alfons Titzrath, a director of Dresdner Bank, "when you are looking for a sensible investment for your children."

Because IVG is so little known outside Germany, foreign investors are not expected to take much interest either.

But IVG and Dresdner are hoping that the IVG shares will do better than those of VIAG, another state-owned company which was partially privatised this summer. Coincidentally, the issuing price was also DM 165.

Shares of VIAG, which has interests in chemicals, energy and aluminium, have traded below the issue price since the state reduced its shareholding.

The price set for the IVG shares was below that expected in some stock market circles, reflecting the recent weakness of stock prices and the fact that the issue is not a glamorous one.

IVG's executives were at pains yesterday to emphasise the reliable, if unspectacular, nature of tha company and its performance. Group turnover was DM 558m last year (no comparison is available) while group pre-tax profits were 14 per cent higher at DM 43m.

The parent company made net profits in 1985 of DM 13.9m (DM 9.2m). Up to mid-1986, profits were DM 7.1m, and IVG thus expects the full year's result to be better than that of 1985.

Mr Gunter Nastelski, a director of IVG, said the company was characterised by "solidity, low and manageable risk, the long-term nature of its business, moderate steady growth and a secure yield."

Thus, he added, the shares "are not a speculation." This year's dividend is forecast by the company at DM 7, or 14 per cent, giving a 6.6 per cent yield after tax relief at the placing price. Last year's dividend was DM 6.

IVG's main business is property management. It has around 1.2m square metres rented to 650 tenants on 40 different sites around the country. These produce a turnover of just over DM 100m a year.

Originally set up to provide military and other services to the German Government, IVG has moved more and more into the private sector.

It owns 3,400 railway wagons for transport of specialised cargoes, has nine oil storage depots with a total capacity of nearly 860,000 cubic metres and rents out space for fuel storage in underground salt caverns in northern Germany.

IVG also owns 74 per cent of IABG (Industrianlagen-Betriebsgesellschaft), a Munich company which carries out research and testing work on defence and civil projects such as the Leopard tank and the Ariane rocket.

The proportion of shares being privatised – nominal share capital was recently lifted from DM 75m to DM 110M – corresponds approximately to the proportion of IVG's turnover that is now outside the public sector.

With a general election to be held next January, IVG will be the last privatisation in this legislative session. Mr Gerhard Stoltenberg, the Finance Minister, is keen that more chunks of state industry should be sold off to the public.

However, even if the present conservative Government wins it expected victory, further share sales will not be that easy to achieve.

Local political interests, such as those of the state of Bavaria under Mr Franz Josef Strauss, have already hindered a sell-off at Lufthansa, the national airline.

Pacific Bell in expansion agreement

PACIFIC BELL, a unit of the Pacific Telesis telephone holding company, has entered into a memorandum of understanding with Integrated Technology, of Texas, and Tandem Computers to develop advanced telecommunications network systems for use in its network, agencies report.

Under the memorandum, Pacific Bell will purchase a 24.5 per cent interest in Integrated Technology, a developer of new network software technologies. Tandem will increase its holdings to equal that of Pacific Bell's, but no figures on amounts to be invested were made available.

● A Massachusetts businessman, Mr Sumner Redstone, has applied to the Federal Trade Commission to boost his stake in Viacom International from nearly 10 per cent to as much as 24.99 per cent.

In a filing with the Securities and Exchange Commission, Mr Redstone and other executives of National Amusements, the cinema chain he controls, also said Redstone had met other parties seeking to buy Viacom, a big TV station group which is facing a $2.75bn management buyout.

● LTV, the big US steel, energy and aerospace group, can continue paying retired workers' benefits for a six-month grace period while it reorganises under Federal bankruptcy laws, a New York judge has ruled.

US District Judge Mary Johnson Lowe yesterday refused a request by 21 banks that she throw out a bankruptcy judge's order allowing the payment plan. The banks contended the order violated proper procedure because they were not given enough time to respond, and argued it was contrary to bankruptcy law.

Maxwell enters bid contest for printer

BY DAVID GOODHART IN LONDON

MR ROBERT MAXWELL'S attendance yesterday at the British Labour Party conference in Blackpool did not prevent him indulging his favourite pursuit of causing confusion in the City of London through late entry into a contested takeover bid.

Mr Maxwell, publisher of the UK's Mirror Group Newspapers, announced that he had acquired a 5.9 per cent stake in the printing group McCorquodale which is attempting to fight off a hostile bid from fellow printer Norton Opax.

However, Mr Maxwell is believed not to be interested in making his own bid for McCorquodale – which would almost certainly attract the attention of the Monopolies and Mergers Commission – but rather to block the intervention of Extel, the printing and newsagency group, in which he has a 26 per cent stake.

Last Friday, when Mr Maxwell acquired his 3m shares, McCorquodale announced it was in discussions with another company over a possible merger to save it from the unwanted attentions of Norton Opax. It is widely believed that the other company is Extel.

Extel's interest in a deal with McCorquodale would be, in part, to make a take-over by Mr Maxwell more difficult. Following the Demerger Corporation's failed £170m bid for Extel last April the Takeover Panel blocked a possible bid from Mr Maxwell for one year, ruling that he acted in concert with Demerger. However, his retention of a large minority stake implies continued interest in Extel.

Nevertheless Mr Clive Chalk of merchant bank Samuel Montagu, acting for Norton Opax, warned against making too many assumptions about Mr Maxwell's motive.

"He's such a complex personality, it's very difficult to guess what he is up to," he said.

He added, however, that, if Mr Maxwell's stake was a preamble to a bid, it would probably have been acquired by his company, the British Printing and Communication Corporation (BPCC), rather than himself.

Mr Maxwell and Norton Opax have met before. In 1983 Norton bid for John Waddington, the UK board games group, which then attracted a higher bid from BPCC. Norton eventually sold its stake to Mr Maxwell. A good omen for McCorquodale – Waddington then escaped twice from BPCC.

Lafarge Coppée trebles profits

By David Housego in Paris

LAFARGE COPPÉE, the large French cement group which has been expanding its biotechnology activities, yesterday announced a threefold rise in first-half profits.

The group said that net consolidated profits during the first six months rose by 227 per cent to FFr 576m ($88.7m) excluding minority interests. Turnover during the period dropped 14 per cent to FFr 7.9bn on the basis of current exchange rates.

The group says, however, that on the basis of an unchanged exchange rate, and comparable structure, turnover rose by 5 per cent during the six months period.

The sharp profit increase stems from the group's cement activities in North America, France and Brazil.

By contrast, first-half profits on Lafarge's biotechnology interests were down compared with the first half of 1985 – which in any case benefited from exceptional items.

Consolidated operating profits rose by 153 per cent to FFr 600m.

Production falls at American Motors

AMERICAN Motors, the Michigan motor group in which Renault of France has a 46 per cent stake, said its monthly US car production declined in September to 4,129 from 11,497 in the same year-ago period.

It said year-to-date domestic automobile production was 41,084 compared with 87,349 in the 1985 period.

AMC said September's jeep production was 25,380, up from 22,618 a year ago. Year-to-date jeep production was 140,828, down from 187,547 in the 1985 period.

INTERNATIONAL COMPANIES and FINANCE

Nippon Kokan buys stake in engineer

By Yoko Shibata in Tokyo

NIPPON KOKAN, the big Japanese steel group, has taken up a minority holding in Hamai, a financially hard-pressed machine tool manufacturer, in a move which strengthens its efforts to diversify into engineering businesses.

NKK will take up a special new allotment of 2.46m Hamai shares, giving it about 9 per cent of the smaller company's equity, and making it one of Hamai's two biggest shareholders along with Yasuda Mutual Life Insurance. NKK is understood to have an option to raise its stake to 20 per cent at a later stage.

Hamai, which incurred a loss of Y51m on sales of Y4.9bn ($31.7m) in the six months to March 31, is a specialist in numerically controlled machine tools, machining centres and factory automation products. Its financial performance has been severely depressed in recent months by the appreciation of the yen.

NKK, in addition to its strong position in the steel business, has been diversifying in recent years into other areas including machinery. Sales of this division are projected to reach about Y20bn in the current business year.

The tie-up between the two companies was negotiated by Fuji Bank and Yamaichi Securities.

Ssangyong to take 19.8% of Dong-A Motor

SSANGYONG Cement Industrial, the South Korean conglomerate, has agreed in principle to buy a 19.8 per cent stake in Dong-A Motor, the country's oldest bus and special vehicle builder, for between 15 and 20bn won ($17m to $22m) as the first step towards a full takeover, agencies report from Seoul.

Ssangyong Cement or one of its subsidiaries will sign an agreement with Dong-A this week. The purchase will give Ssangyong management control of Dong-A.

Dong-A, South Korea's fourth largest motor manufacturer, is capable of producing 7,000 buses, trucks and special vehicles a year. It has a net profit of 1.24bn won on sales of 67.07bn won in 1985.

VW expects record group sales of 2.8m vehicles

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT, IN PARIS

THE Volkswagen Audi group this year stands a good chance of beating its 1979 sales record of 2.553m vehicles. When models from Seat, the previously state-owned Spanish group which became a VW subsidiary in June, are taken into account, the group's output is expected to top 2.8m vehicles in 1986.

Next year, according to Mr Schmidt, director for worldwide sales, there should be another advance of up to 10 per cent in group sales.

Worldwide daily production is currently more than 12,000 cars and the VW group "is moving up into a new scale of production and sales, through which even our position gained in 1985 as the leading manufacturer in Western Europe will be built on," he said at the run-up to the Paris Motor Show.

One cloud on VW's horizon, however, comes from the bad publicity about its Audi 5000 models in the US, where the company is strenuously denying allegations that the models can accelerate without warning.

Mainly as a result of this publicity, US sales of the Audi 5000, known as the Audi 100 in Europe, are expected to drop from last year's 74,000 to about 60,000 in 1986, said Mr Schmidt.

"We can sell the surplus cars in other markets," he added, but admitted that Audi was the only part of the VW group with some car production capacity to spare.

Of this year's 2.8m vehicle deliveries, Seat would contribute about 340,000, while commercial vehicle sales will be more than 5 per cent ahead of the 219,000 in 1985. Last year total VW, Audi and Seat sales reached about 2.65m.

Mr Schmidt reported that VW's capital expenditure—excluding that for Seat—jumped by 60 per cent in the first half of 1986 compared with the same period of last year to DM 2.3bn ($1.13bu) represeuting 8 per cent of sales.

The money had been spent ou new products and revamping factories but not to increase production capacity only to clear some bottlenecks.

The group had also squeezed out more car production from Seat, and by starting output of the Jetta car alongside the Golf in the US factory at relatively short notice, had obtained an additional 25,000 cars for Europe.

Mr Schmidt said that the licensing deal for Nissan to produce the VW's Santana in Japan from German components would have to be renegotiated during the coming year. Although the arrangement had not lived up to expectation—annual sales of the Santana in Japan are only about 12,000 compared with the 20,000 hoped for — but "there is a 50 per cent chance" a new deal will be negotiated.

Talks with Ford about a possible merger of their production facilities in Brazil were going smoothly, said Mr Schmidt. Work on a business plan was likely to show the concept was worthwhile and, if it did, financial discussions would begin. He refused to say how long the process might take.

Foreigners hail Malaysian incentives

BY WONG SULONG IN KUALA LUMPUR

FOREIGN businessmen and bankers have welcomed the liberalisation of equity rules and incentives, announced by Dr Mahathir Mohamad, the Malaysian Prime Minister, to stimulate foreign investments.

They stressed, however, that it was important the bureaucracy implemented the new guidelines in the right spirit, and the Malaysian leadership took further steps to create confidence and stability.

Dr Mahathir told a group of businessmen in New York that new investors could retain up to 100 per cent equity in their ventures in Malaysia if they met one of the four conditions.

These are: the compnay must export at least 50 per cent of its products; sell at least 50 per cent of its products to companies in the Malaysian free trade zones or licensed manufacturing warehouses; employ more than 350 full-time Malaysian workers; or adopt an employment policy at all levels reflecting the racial composition of the country.

In cases where foreign equity is less than 100 per ceut, the balance to be taken up by Malaysians should conform with the New Economic policy guidelines, but again, the rules will be applied "without undue rigidity."

The more liberal rules represent, according to Dr Mahathir, a "radical departure" of the New Economic Policy, which limits foreign equity to 30 per cent, and underline the importance of fresh foreign investments to revitalise the depressed Malaysian economy, hit by poor commodity prices.

"Malaysia clearly needs another round of industrialisation to pull it out of recession, and we must admit we ueed foreign businessmen because of their expertise and overseas markets," said Mr Tan Keok Yin, executive director of the Federation of Malaysian Manufacturers.

C & W to control Barbados Telephone

BY TONY COZIER IN BRIDGETOWN

THE BARBADOS Government has approved the purchase of a majority shareholding in the Barbados Telephone Company by Cable & Wireless of the UK. The seller is Continental Finance Corporation of Atlanta, Georgia.

The deal follows two days of talks between the Government and C & W on the company's capital structure, management structure and regulatory details.

The acquisition increases Cable & Wireless' considerable investment in the region. It already controls a 55 per cent shareholding in Barbados External Communication (BEI) in a joint venture with the Government and operates the telephone services in most of the Leeward and Windwards Islands.

Continental owns 85 per cent of the shares in the telephone company, and, according to Cable & Wireless, the shares are expected to change hands by the end of the year. No figure has been given officially but local financial analysts say it is around US$7.5m

The remaining shares are divided between the Government and private shareholders.

The company employs 863 workers

● Cable & Wireless has announced plans to seek a listing on the Hong Kong stock exchange before the end of the year. The proposed listing will not involve a new issue of shares, writes Kevin Hamlin in Hong Kong.

Earnings well ahead at Bank Indosuez

By Paul Betts in Paris

BANK INDOSUEZ, the French international banking group, yesterday reported uet after-tax earnings of FFr 607m ($91.4m) for the first half of this year.

The bank said there were no comparable figures for the first half of last year, since like other major French banks, Indosuez is reporting consolidated first half results for the first time. However, the first half profits reflect a strong advance since the bank reported net earnings of FFr 625m for the whole of last year.

Indosuez said a substantial part of the advance in profits came from financial operations and the sale of securities.

The bank added that its earnings this year were likely to show a strong advance over 1985. It also reported that total pre-tax revenues from current operations had increased by 20 per cent in the first half to FFr 4.4bn.

Pallas Group buys stake in Tradition

By Our Financial Staff

THE PALLAS GROUP, controlled by Mr Pierre Moussa, has acquired a 17 per cent stake in Compagnie Financière Tradition, the Lausanne-based financial services group.

The interest was acquired from Swiss and French institutions and makes Pallas the group's third-largest shareholder. Others are Tradition Associates with 26 per cent and the Levy family, which founded the group, with 20 per cent. Public shareholders own 37 per cent.

MIM Holdings

An article in the FT yesterday which concerned Canadian Pacific's sale of shares in Cominco inadvertently said that MIM Holdings had an interest in the Broken Hill mine. It should have said Mount Isa.

AIBD BOND INDICES

WEEKLY EUROBOND GUIDE SEPTEMBER 30 1986

	Redemption Yield	Change on Week %	12 Months High	12 Months Low
US Dollar	8.912	−0.380	10.830	8.738
Australian Dollar	14.363	−0.181	14.630	12.830
Canadian Dollar	10.430	−1.296	11.820	10.373
Euroguilder	5.983	1.184	6.400	5.913
Euro Currency Unit	8.451	−1.308	9.524	8.164
Yen	6.346	−0.549	7.250	6.207
Sterling	11.063	−0.530	11.932	9.751
Deutschemark	6.442	0.249	7.210	6.318

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INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Investors favour short-dated deals

BY CLARE PEARSON

BORROWERS returned to the Eurobond market yesterday as prices rose following overnight gains in the US Treasury market. As well as a crop of Eurodollar bonds, two large deals were arranged for sovereign borrowers in the D-Mark and yen sectors.

But many of the new deals suffered during the afternoon as the market's initial euphoria wore off. In particular, the market reacted with indifference to new offerings for US financial institutions, which have been long out of favour, and to deals with long maturities.

But short-dated bonds can still find favour with investors and Citicorp Investment Bank took advantage of this with a three-year deal for European Coal and Steel Community. The $75m 7 per cent bond was priced at 101 to yield about ½ points over the yield on comparable US Treasury bonds. It traded within the fees at a bid price of about 99.90.

Meanwhile, Credit Suisse First Boston and Morgan Stanley found less enthusiasm for their deals respectively for Citicorp and Mony Funding, a subsidiary of Mutual Life.

Both issues provided initial yield spreads of more than one percentage point over US Treasury bonds at launch. Citicorp's $200m seven-year deal, led by Morgan Stanley, was priced at 100¼ with a coupon of 8¼ per cent. It is callable from 1990 at par. Mony Funding's $150m 10-year 8¾ per cent deal is priced at 99¾. Both were quoted at potentially loss-making levels for underwriters.

Nomura International also met lacklustre demand for its $70m bond for Shikoku Electric Power. The seven-year 8¼ per cent bond was priced at 101¼.

Tokai International led a $100m 15-year convertible bond for its parent Tokai Bank, which was partially pre-placed. Terms will be fixed on October 13, but the indicated coupon is 2¼ per cent.

A long-expected Y60bn deal for Triple A rated Norway emerged yesterday, led by Nomura International. The five-year 5¼ per cent issue was priced at 101¼. Some dealers said these terms were aggressive but the lead-manager quoted a bid price at a discount to issue price equivalent to the 1¼ per cent fees.

In the French franc market, Credit Commercial de France led a FFr500m 15-year issue for IVO, the Finnish power company. The deal, priced at 99¾, will pay interest at 8¼ per cent during the first five years and then interest payments will

INTERNATIONAL BONDS

be reset every five years. There are investor put options and borrowers' call options at the end of each five-year period.

In West Germany, Denmark issued one of the biggest straight D-Mark Eurobonds yet seen, a DM 1bn two-tranche package. Led by Westdeutsche Landesbank, the deal comprises a DM 750m five-year issue with a 5¾ per cent coupon and a DM 250m seven-year issue with a 6¼ per cent coupon. Both are priced at par.

Though the bonds were launched too late in the day to obtain a full test of the market's reaction, initial impressions were that the terms were fair and indicated quotes were at discounts less than the total fees.

D-Mark bonds rose about ½ point, mainly on professional buying, while larger gains were seen in the domestic market. In Switzerland, prices were mixed to slightly firmer. A SFr 150m issue for Caisse Nationale des Telecommunications ended its first day's trading at 99¼ compared with a 100¼ issue price.

The Swiss market saw three new private placements. Credit Suisse brought Furukawa, a Japanese metals concern, with a SFr 80m five-year bond carrying equity warrants and the guarantee of Dai-Ichi Kangyo Bank. It has a 1¼ per cent indicated coupon.

Nichimo, a Japanese real estate company, raised SFr 50m with a convertible bond led by Handelsbank with a 1 per cent indicated coupon. Japan Electronic Computer made a SFr 50m seven-year issue guaranteed by Industrial Bank of Japan and led by Banque Paribas (Suisse). It is priced at par with a 5 per cent coupon.

Terms for a SFr 100m issue by Gun-ei Chemical Industry were fixed with a 1½ per cent coupon and a 2.96 per cent conversion premium.

Continuous trading for Swiss SEs

By John Wicks in Zurich

SWITZERLAND'S three leading stock exchanges are to introduce continuous trading next Monday for a number of major Swiss equities.

At the Zurich exchange, the 25 internationally most important bearer shares and participation certificates will be traded daily between 10.15 am and 1.15 pm.

In Basle, 58 titles have been chosen for continuous trading and approximately the same number in Geneva. These feature the same companies as the Zurich list but include all equity categories, including registered shares. Geneva and Basle will also include a selection of shares of particular local importance.

The extension of trading times for major equities is considered desirable to obviate the loss of trading volume to foreign exchanges, and in view of plans to introduce traded options.

At the same time, continuous trading will supply an improved basis for the new Swiss share index, whose first publication is planned for next March.

Tokyo pensions breakthrough

BY YOKO SHIBATA IN TOKYO

JAPAN BANKERS Trust, a subsidiary of Bankers Trust of New York, has broken into the market for managing Japanese pension funds—the first among the nine foreign-owned trust banks in Tokyo to do so.

The bank has been assigned the management of welfare pension funds worth about Y5.85bn ($38m) by Sumitomo Bank. As a result of its absorption this month of the financially troubled Heiwa Sogo Bank, Sumitomo has found its pension funds swollen to Y65bn.

Some 9 per cent of this has been allocated to Japan Bankers Trust, with the remainder being divided up among six other financial institutions with close relationships, including Sumitomo Trust and Banking, Sumitomo Life Insurance and Nippon Life Insurance.

Japan Bankers Trust is the largest of the nine foreign-owned trust banks, with some Y130bn under management, against an average of Y10bn to Y30bn for its rivals. Its greater size reflects its tie-up with Sumitomo Bank through the Sumigin Bankers Investment Advisory Company—a joint venture of the type the MoF is keen to encourage to ensure that the foreign-owned trust banks have adequate back office support in Japan.

It has been almost a year since the first group of foreign institutions set up in the Japanese trust banking business, with Japan Bankers Trust, Morgan Trust and Chase Manhattan Trust forming the advance guard, and the remainder following six months later. Their ambition is to capture a slice of the rapidly growing private pension fund management business, forecast by some analysts to reach $300bn by 1995 from a current $90bn.

Despite initial claims that the foreign institutions would quickly capture business on the basis of their good track record in managing funds abroad, the nine foreign banks have found it difficult so far to show off their strengths. They have had some success in winning the pension fund management business of foreign companies operating in Japan, but have had a hard time in shaking Japanese companies away from the banks with which they have long-term relationships.

The most promising area of business for the foreign trust banks has been the rapidly growing area of discretionary fund management—notably the Tokkin funds, set up by cash-rich Japanese companies and financial institutions to handle their short-term portfolio investments.

A Tokkin fund (literally, a "specified money trust agreement") is set up by the investing institution depositing funds in a trust bank. The funds are then managed by an investment management company affiliated with a broker or trust bank. This business is readily accessible to the foreign trust banks and allows them to manage money with minimal restrictions.

Partly in order to provide more business for the foreign trust banks, the Ministry of Finance has allowed both residents and non-residents in Tokyo to open mother trust accounts denominated in foreign currencies. With domestic trust banks now allowed to invest in foreign bonds, equities, certificates of deposit and other instruments, the foreign-owned institutions have the opportunity to display their strengths in managing funds in overseas markets.

Simex gives details of US T-bond futures

By Steven Butler in Singapore

THE SINGAPORE International Monetary Exchange (Simex) yesterday announced that trading in a US Treasury bond futures contract would begin on October 8, marking the first trading of US T-bond futures in the Asia Pacific region.

The announcement follows a month of record trading on the exchange. Total exchange volume rose by 54 per cent above the record set in August to 116,767 contracts. Open interests, or outstanding contracts, at the end of the month rose to a record of 29,317 contracts, compared to 16,631 in August. Open positions totalled just 5,235 in January.

Trading was particularly intense in Eurodollar contracts, where trading rose to 70,306 contracts from the August record of 47,546.

The growth of volume and breadth of trading instruments is now rapidly propelling Singapore into becoming a major trading centre for financial futures. On September 3, trading began in the world's first futures contract based on the Nikkei Stock Average of the Tokyo Stock Exchange.

Specifications of the new US Treasury bond contracts are similar to those of contracts traded on the Chicago Board of Trade, although they will not be tangible as there are no arrangements between the exchanges for mutual offset.

Simex has mutual offset arrangements for other contracts with the Chicago Mercantile Exchange, the terms of which prohibit Simex from entering into similar arrangements with any other exchanges in the US.

In order to facilitate round-the-clock trading, however, Simex will add a new night trading session from 7.15 am to 9.00 am Chicago time, allowing for a one hour overlap in trading. This will permit traders to roll over positions from one exchange to the other. The night trading session will also make it possible for traders to react immediately to US economic news that is released at 7.30 am Chicago time.

Contracts will be for US Treasury bonds that have a face value of US$100,000 at maturity. The deliverable grade will be bonds with a nominal 8 per cent coupon which, if callable, will not be callable for at least 15 years or, if not callable, will have a maturity of at least 15 years.

HK$ issue of CDs by Chinese bank

CHINA'S Kwangtung Provincial Bank plans a HK$100m, three-year certificate of deposit (CD) issue carrying a 7 1/16 per cent coupon, Reuter reports from Hong Kong.

Interest will be paid quarterly. Fees total ten basis points and the payment date is October 28.

Kwangtung Provincial will be the third Chinese state-owned bank to tap the Hong Kong dollar CD market, following the Bank of Communications and National Commercial Bank.

US QUARTERLIES

GT. ATLANTIC & PACIFIC TEA
Food retailer

	1986 $	1985 $
Second quarter		
Revenue	1.68bn	1.57bn
Op. net profits	14.8m	13.6m
Op. net per share	0.39	0.36
Six months		
Revenue	3.78bn	3.51bn
Op. net profits	33.8m	30.3m
Op. net per share	0.89	0.80

HARTMARX
Clothing manufacturer and retailer

	1985-86 $	1984-85 $
Revenue	252.9m	267.5m
Net profits	3.7m	7.2m
Net per share	0.18	0.37
Nine months		
Revenue	—	—
Net profits	*14.3m	28.6m
Net per share	*0.69	1.51

* Includes $9m special charges

KAUFMAN AND BROAD
Homebuilding, life insurance

	1985-86 $	1984-85 $
Third quarter		
Revenue	289.0m	233.2m
Net profits	9.1m	4.6m
Net per share	0.43	0.18
Nine months		
Revenue	746.5m	614.1m
Net profits	25.3m	19.4m
Net per share	1.17	0.65

NIKE
Sportswear, footwear

	1986-87 $	1985-86 $
First quarter		
Revenue	287.2m	327.7m
Net profits	14.8m	24.1m
Net per share	0.39	0.64

PETRO-LEWIS
Energy partnership

	1985-86 $	1984-85 $
Fourth quarter		
Revenue	26.8m	58.7m
Net profits	†75.6m	†16.4m
Year		
Revenue	178.1m	232.4m
Net profits	†424.4m	†24.8m

† Loss after writedowns

PILLSBURY
Fast food restaurants

	1986-87 $	1985-86 $
First quarter		
Revenue	1.38bn	1.26bn
Net profits	47.9m	43.8m
Net per share	1.10	1.01

RITE AID
Drugstores

	1986-87 $	1985-86 $
Second quarter		
Revenue	422.0m	379.1m
Net profits	15.0m	14.0m
Net per share	0.38	0.34
Six months		
Revenue	840.8m	746.2m
Net profits	31.4m	28.7m
Net per share	0.76	0.70

Australian Wheat Board streamlines borrowings

BY ALEXANDER NICOLL

THE AUSTRALIAN Wheat Board, one of the most active and established issuers in the Eurocommercial paper market, has streamlined its borrowing arrangements with a new $600m programme replacing three previous Euromarket facilities *totalling $1.05bn*.

The programme, arranged by the borrower itself and signed this week, is part of its annual campaign to fund the purchase of the Australian wheat harvest. Overall, financings will be somewhat lower this year because of lower wheat prices.

Another Australian borrower, the Australian Industry Development Corporation, is also expected to launch a similar operation in the next few weeks. It is likely to arrange a $1bn Euromarket programme replacing and expanding present facilities.

The new Wheat Board Eurocommercial paper programme is not expected to result in a reduction of the board's actual dollar outstandings in the Euromarkets. However, it has arranged several new financings in other currencies as part of a $2.5bn foreign borrowing operation for this year, and reduced the total size of its facilities in the US domestic market.

COMMERCIAL PAPER

The $600m programme has six dealers: Citicorp Investment Bank, County NatWest Capital Markets, Credit Suisse First Boston, Salomon Brothers International, Saudi International Bank and Swiss Bank Corporation International.

It replaces a $300m ECP programme signed last year and two note facilities of $500m and $250m.

The board is seen as a *sovereign borrower* in the markets and regularly pays as much as four basis points below London interbank bid rates, compared with about six basis points for a sovereign such as Sweden.

Among other deals in this round of AWB financings, Banque Nationale de Paris has been mandated to arrange an Ecu 125m revolving underwriting facility — the board's first borrowing in European Currency Units — while a *DM 110m facility* has been arranged by Commerzbank (South East Asia). The board has raised a Y20bn financing and renewed a £200m and a DM 300m facility.

In the US, it has reduced its commercial paper programme from $1bn to $750m and a bankers acceptance facility from $650m to $500m. In Australia, its financing arrangements total A$2bn.

CSFB tops lead manager table

BY OUR EUROMARKETS STAFF

CREDIT SUISSE First Boston, which led the UK's record $4bn floating-rate note issue last month, topped the chart of lead managers in the first nine months of 1986 as new issue volume in the Eurobond market reached $144bn, according to data compiled in New York by IDD Information Services.

New issue volume so far this year has already surpassed 1985's record annual amount of $134.5bn, reflecting progressive falls in interest rates during the year.

CSFB has increased its market share to 11.9 per cent, and has toppled Deutsche Bank from its hair's breadth hold on the first position during the first six months. Meanwhile Nomura Securities has shot up to second place, from third in the first half, with an 8.4 per cent market share.

Morgan Guaranty, with a 5.5 per cent market share, has reached fourth position after falling to seventh in the first half. Salomon Brothers, Daiwa and Banque Paribas have all slipped one place since the first half, while Morgan Stanley, Merrill Lynch and Nikko have retained their first-half positions.

The dollar's share of new issues was 62 per cent as against 70 per cent in 1985, while yen new issues surged to 10 per cent from 5 per cent. The D-Mark's share of new issues slipped to 9.5 per cent from 10 per cent in the first half. The D-Mark accounted for 8 per cent in 1985. Sterling's share moved up to 7 per cent from 4 per cent, while the Ecu went down to 3.6 per cent from 5 per cent.

TOP EUROBOND BOOKRUNNERS FIRST NINE MONTHS 1986

	1985 Ranking	$bn	Market share %
CSFB	(1)	17.17	11.9
Nomura Securities	(5)	12.15	8.4
Deutsche Bank	(6)	10.18	7.1
Morgan Guaranty	(3)	7.99	5.5
Salomon Brothers	(4)	7.07	4.9
Daiwa Securities	(11)	6.53	4.6
Banque Paribas	(10)	5.86	4.1
Morgan Stanley	(6)	5.43	3.9
Merrill Lynch	(2)	4.98	3.5
Nikko Securities	(25)	4.50	3.1

Source: IDD Information Services

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market.
Closing prices on October 1

US DOLLAR STRAIGHTS | OTHER STRAIGHTS | FLOATING RATE NOTES | DEUTSCHE MARK STRAIGHTS | SWISS FRANC STRAIGHTS | CONVERTIBLE BONDS | YEN STRAIGHTS

[illegible]

Average price changes... On day +0¼ on week +0¼

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

After H. M. Bateman.

The man who didn't deal with Kleinwort Grieveson.

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The bright people in the right places.

PCW launch behind £55m profits surge at Amstrad

BY TERRY DODSWORTH

Amstrad Consumer Electronics, the fast-expanding UK computer, video and audio electronics company, surged to record profits in the year to June, as it reaped the benefits of the successful launch of its PCW word processor a year ago.

Pre-tax profits amounted to £75.3m, an increase of 273 per cent on the £20.2m announced a year ago, while sales jumped by 123 per cent to £304m from £136m.

To reflect the improvement in the results, Amstrad is doubling its final dividend, giving an increase of 84 per cent for the full year at a total of 0.35p per share.

The results were greeted calmly in the City, where Amstrad's share price, which had risen by 8p on Tuesday, remained unchanged on 186p.

Investors earlier in the year pushed up Amstrad's share price to 150p, but there is currently some caution over the launch of the group's PC-1512 personal computer, which is aimed at the IBM-compatible market.

Mr Alan Sugar, Amstrad's chairman, however, dismissed questions over the 1512 series, saying that the early response to the product had exceeded the company's expectations.

The entire production run of 70,000 units a month planned for the period up to the end of December had already been sold, he said, and the company would consider increasing output early next year.

In the UK, he added, the computer had sold so well that the group was considering the possibility of raising prices after Christmas. In overseas markets, the 1512 is being priced at a significant premium to the base price of £399 in Britain.

Mr Sugar explained the buoyancy of last year's results on a combination of strong sales for the new PCW word processor and declining raw material prices.

Softness in the world semiconductor market reduced costs by more than Amstrad had expected, helping the company raise its margin on turnover in a situation where sales were rising strongly in the first place.

Profits after tax came to £52m against £14m a year ago, while extraordinary items rose to £2.95m from £42,000, principally because of the write-off of the Sinclair Intellectual Property Rights.

Mr Sugar said yesterday that with the launch of new products over the past 12 months, Amstrad now had a broad based product line-up which should help insulate its results from seasonal downturns in any one area.

The group is strongly represented in the video and audio markets, where it has moved this year into compact discs, and has a range of home and personal computers, plus the PCW word processor and its DMP 2000 printer.

Overseas, it is also expanding its coverage, achieving a 173 per cent sales advance in France during the past financial year, and opening up new markets in Spain (£32m) and North America (£17m).

"Our sales forecast for the next financial year is very encouraging both in terms of existing and new products, together with large unexploited gaps in our markets overseas," he added.

See Lex

Mr Alan Sugar, the chairman of Amstrad

New NZ stake declared in Ultramar

By Terry Povey

TWO CLOSELY connected New Zealand companies, Rainbow Corporation and Equiticorp Holdings, yesterday announced a 4.9 per cent stake in Ultramar, the loss-making UK oil and gas company.

Mr Ron Brierley, whose master company is New Zealand's largest, recently took his stake in Ultramar up to 13.2 per cent. Mr Brierley and Rainbow, which is run by Mr Craig Heatley, have clashed in takeover bids before.

Rainbow, which became active in the UK in August has £50m invested in London. Its £11m stake of just under 5 per cent in Babcock was the largest until the £17m Ultramar purchases were confirmed. Equiticorp is a 15 per cent shareholder in Rainbow and the two companies share a chairman, Mr Tony Hawkins.

News of the share stakes taken by Admetus, a 50-50 joint-venture between Rainbow and Equiticorp, helped fuel a 10p rise in Ultramar's shares to 158p yesterday. Rainbow said the share stake was long-term and that the oil company was a good counter-cyclical investment. It denied any significance to it having made the share purchases after those by Mr Brierley.

Last night Ultramar said Rainbow had replied to its inquiries under section 212 of the Companies Act. As far as it was aware the New Zealand company had made its purchases steadily over the last two to three months.

● IEP Securities, the investment company headed by Mr Brierley, has increased its stake in Molins, the cigarette equipment manufacturer, from 20.01 to 24 per cent. IEP announced yesterday its holding had increased to 7.05m shares from the previously disclosed level of 5.9m shares.

Last December an attempt by Molins' management to stage a £50m buy-out failed after opposition from institutional shareholders and IEP, when they owned 10.5 per cent.

Molins' shares closed up 9p at 185p.

Blacks future in doubt as Sears withdraws offer

BY DAVID GOODHART

AN EMERGENCY meeting of the board of Blacks Leisure will today decide whether to place the company in receivership *following the decision by Sears,* the major retailing group, to call off its £3.3m bid.

Sears had already received acceptances for more than 50 per cent of the share capital, but had warned Blacks' shareholders that it was looking for close to 90 per cent acceptances in view of the radical financial restructuring needed.

Yesterday afternoon, after the bid closed, Sears announced that it ha dreceived acceptances for only 54.7 per cent of the ordinary shares and "reluctnnfly" withdrew.

Mr Anrrew Herd of Blacks' merchant bank Arbuthnot Latham immediately denounced the intervention of England ericketer Mr Phil Edmonds and his business partner Mr Harold Winton as instrumental in causing the bid to be withdrawn.

The two men have been arguing publicly for several weeks that the Sears offer undervalues Blacks and unfairly rewards preference shareholders. However, their own alternative depends upon Sears buying Blacks' assets and most of the 42 outlets while leaving a "shell" company as a base for making other acquisitions.

Mr Herd said: "Sears has certainly been very upset by all the adverse publicity and it looks as if the Edmonds-Winton intervention has persuaded a great many shareholders to reject the offer."

When the Blacks' management unveiled the agreed bid with Sears in August the company also announced a pre-tax loss of £1.6m (£4.8m) in the year to March 1986. The management has stated that to continue as e viable business and save the jobs of about 250 staff it needed an injection of £2m to £3m.

Sears already owns 186 camping and leisure outlets through Milletts Leisure Shops and had planned to integrate Blacks into its Foster Brothers group. To do that the company said it was essential not to have a significant outstanding minority shareholding.

Unigate to buy US restaurant chain

By Lisa Wood

Unigate, the dairy, food and transport group, announced yesterday that its US subsidiary is to pay \$45m (£31.1m) in cash for the Prufrock Restaurants chain in the US.

Prufrock is a privately owned company operating 41 restaurants in Texas, Oklahoma and Colorado which trade under the name of The Black-eyed Pea and Dixie House. Both specialise in "Southern Country" styla cooking. In the year to June 30 1986 Prufrock's pre-tax profits were \$4.1m. Net assets were \$8.1m.

Unigate said the acquisition of Prufrock was an "excellent opportunity" to complement its existing restaurant activities. The group, through its Casa Bonita subsidiary, operates 106 restaurants in Texas, Oklahoma, Arkansas and Colorado. More than 100 of these are Taco Bueno Mexican fast food restaurants and four are Casa Bonita Mexican theme and fmily entertainment restaurants.

Mr Daniel Hodson, finance director of Unigate, said Prufrock had a market with little competition. It would take time to grow the three restaurant chains but in the longer term Unigate would be looking for other similar acquisitions.

JAMES FERGUSON Holdings, textile, financial services and property investment company, incurred losses of £228,600 (£170,800) pre-tax in year to March 31 1986. Loss per 10p share 2.45p (2.84p) after tax credit £4,100 (£4,000 charge). Extraordinary debit £223,000 (nil). Loss for year £448,000, of which £223,000 related to relisting in January.

Parkfield's two further acquisitions

By David Goodhart

Parkfield, the acquisitive engineering and electrical distribution group, yesterday announced two more takeovers taking its tally since January to nine.

The company has bought a small subsidiary of the US engineering company Rockwell for £2.8m, and David Anthony, the Liverpool-based distributor of pharmaceutical products, for between £1m and £2m depending on profitability over the next three years.

Parkfield is issuing 2.3m new shares to pay for the two deals. The Rockwell company is a manufacturer of chassis and side members for motor vehicles including Rolls-Royces, Range Rovers and Volvos. The assets of the company are estimated at £3.4m and in the past year it is estimated to have made pre-tax profits of £400,000, on turnover of £10m.

David Anthony achieved pre-tax profits of £130,000 on turnover of £4.7m in the year ended April 30, 1986. Parkfield said it plans to invest £1.5m in Rockwell.

Barker & Dobson returns to £0.5m profits midway

BY TERRY POVEY

Barker & Dobson, the confectionery company which recently purchased the Budgen supermarket chain for £80m, has announced pre-tax profits of £481,000 for the 28 weeks to July 11. In the 29 weeks to July 19 last year the company reported a £7.46m loss.

Mr John Fletcher, chairman and chief executive, said the company was proposing to assist shareholders owning less than 5,000 shares to dispose of them without having to pay brokers' fees. Consolidation of the 1p shares into 10p shares is also proposed.

This move was aimed at cost savings for the company which has 32,000 shareholders, of whom two-thirds hold 5,000 shares or less and one-third own 1,000 shares or less. Mr Fletcher said this was a difficult issue. "We are not opposed to small shareholders but the costs have been very considerable."

In the last year Barker & Dobson has had two rights issues, raising £75m and more than tripling the number of 1p shares in issue. The circularising of shareholders with the documents for these issues plus the last annual report "could well have cost more than £300,000," said Mr Fletcher.

While no interim dividend is being paid, a "small final dividend will be recommended for the full year." According to the statement turnover was £15.4m compared with £40.8m (of which £28.2m was contributed by discontinued businesses). Earnings per share were 0.2p against a loss of 4.05p at the interims in 1985.

● comment

Mr Fletcher clearly has a problem with the wide spread of Barker & Dobson's stock—and some might think that the churlish response of the small shareholders to July's £70m rights issue has brought the matter to a head. The transformed B & D, now a supermarket chain with a useful confectionery adjunct, does, however, badly need to spruce up its image and ending the penny stock status is a valid part of this process. It might, however, have been more diplomatic to wait an dsee what the shake-out from the consolidation was before asking the smaller holders to move on. At Budgen the need to update systems and marketing must take priority and this will probably peg the profit contribution from the stores to something similar to that made in 1985. On forecasts of £4 pre-tax, £2¼m of which from Bugden, the shares at 14½p, provide an interesting buying opportunity for those who believe that the determined Mr Fletcher, an ex-Asda man, knows what he is about.

Central TV gives votes

BY NIKKI TAIT

Central Television, yesterday unveiled details of its enfranchisement of non-voting shareholders. It also said it planned to step up from the Unlisted Securities Market to the market on October 27.

Holders of Central's non-voting shares are to be given one vote for every share held, and holders of the 1m voting shares will receive one new ordinary share for every ten voting shares held, involving the issue of 100,000 new shares, in compensation for the dilution of their voting rights.

As with STV's enfranchisement last May, the Independent Broadcasting Authority has approved a change in Central's articles which imposes a 10 per cent limit on any single shareholding.

However the three shareholders who hold more than 10 per cent of the votes — Ladbroke and D. C. Thomson with 20 per cent each and Robert Maxwell's Pergamon Holdings —will be allowed to hold and vote up to 20 per cent of Central's share capital. They will also be able to transfer their entire shareholding to a single buyer, provided tha IBA gives permission.

Mr Robert Phillis, managing director, said yesterday that none of the major shareholders had indicated that they intended to dispose of their holdings as a result of the changes. All three have boardroom representation and these arrangements will continue.

High	Low	Company	Price	Change	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
148	118	Ass. Brit. Ind. Ord.	133	—	7.3	5.5	9.1	7.6
151	121	Ass. Brit. Ind. CULS	130	—	10.0	7.7	—	—
128	43	Airsprung Group	98	—	7.6	7.8	6.1	8.5
46	28	Armitage and Rhodes	36xd	—	4.2	11.7	5.0	4.6
189	108	Bardon Hill	189	+1	4.6	2.4	21.5	19.7
82	42	Bray Technologies	82	+1	4.3	5.2	9.7	6.9
201	75	CCL Ordinary	89	—	2.9	3.3	6.3	9.9
152	86	CCL 11pc Conv. Pref.	89	—	15.7	17.6	—	—
263	80	Carborundum Ord.	263	+1	9.1	3.6	12.2	12.5
94	83	Carborundum 7.5pc Pf.	94	—	10.7	11.4	—	—
139	46	Deborah Services	139	—	7.0	5.0	14.5	18.0
32	20	Frederick Parker Group	23	—	—	—	—	—
125	50	George Blair	105	−1	3.8	3.6	2.8	3.9
77	20	Ind. Precision Castings	77	—	3.0	3.9	20.3	17.0
218	153	Isis Group	163xd	—	19.3	12.0	6.8	6.8
125	101	Jackson Group	125	—	6.1	4.9	8.5	7.6
377	228	James Burrough	369	—	17.0	4.6	10.4	9.5
100	85	James Burrough 9pcPf.	97	—	12.9	13.3	—	—
1,036	342	Multihouse NV	840	—	—	—	44.0	57.4
380	280	Record Ridgway Ord.	378	—	—	—	8.7	11.7
100	89	Record Ridgway 10pcPf	89	—	14.1	15.8	—	—
82	32	Robert Jenkins	82	—	—	—	3.6	6.1
38	28	Scruttons "A"	37	—	—	—	—	—
118	66	Torday and Carlisle	118xd	—	5.7	4.6	7.2	7.2
370	320	Trevian Holdings	322	—	7.9	2.5	8.7	8.8
70	25	Unilock Holdings	68	—	2.8	4.1	12.5	11.7
102	47	Walter Alexander	99xc	—	5.0	5.0	6.5	9.1
226	190	W. S. Yeates	197	—	17.4	8.8	19.7	21.9

GA buys estate agent

BY ERIC SHORT

General Accident Group, one of Britain's major composite insurance groups, has expanded its estate agency activities with the acquisition of the Buckinghamshire-based firm of Flatt and Mead.

No details of the consideration have been given, however, about one-third of the settlement will be in loan notes, with the remainder in the form of equity, by the issue of 68,155 shares. That would value the deal at about £8m.

Flatt and Mead has 11 offices and three franchises in the Buckinghamshire and Oxfordshire region. The acquisition expands GA's estate agency network in the south of England beyond the Thames and brings the total number of branches to 148 plus the three franchises acquired. GA entered the sector in July and is now fifth in size of networks.

GA is aiming for a national network though acquisition. At present, the companies acquired still trade under their previous names, with the executives under a service contract.

Public Works Loan Board rates

Effective September 29

Years	Quota loans repaid by EIP† %	Quota loans repaid A‡ %	Quota loans repaid at maturity§ %	Non-quota loans A* repaid by EIP† %	Non-quota loans A* repaid A‡ %	Non-quota loans A* repaid at maturity§ %
1	—	—	11⅞	—	—	12⅛
Over 1 up to 2	11¾	11⅞	11¾	12¼	12⅛	12¼
Over 2 up to 3	11⅞	11¾	11⅝	12¼	12¼	12⅜
Over 3 up to 4	11⅝	11⅝	11⅝	12⅜	12⅜	12⅜
Over 4 up to 5	11⅝	11⅝	11½	12⅜	12⅜	12¼
Over 5 up to 6	11⅝	11⅝	11⅝	12¼	12¼	12¼
Over 6 up to 7	11⅝	11⅝	11⅝	12⅜	12¼	12⅛
Over 7 up to 8	11⅝	11⅝	11⅝	12⅛	12	12
Over 8 up to 9	11⅝	11⅝	11⅝	12	12	11⅞
Over 9 up to 10	11½	11½	11½	12	12⅛	11⅞
Over 10 up to 15	11½	11¼	11	12	11¾	11¾
Over 15 up to 25	11¼	10⅞	10¾	11⅝	11⅝	11½
Over 25	10⅞	10¾	10¾	11⅝	11½	11½

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

Synapse advances 47%

INVESTMENT made in the first half by Synapse Computer Services coupled with increased marketing resources had an impact on the second half, resulting in an increase in pre-tax profits of 47 per cent from £511,000 to £753,100.

The result in the year to July 31 1986 was achieved on turnover up from £2.54m to £3.89m, an increase of 74 per cent. Earnings per 5p share for this USM-quoted company rose to 11.96p (8.26p) and the directors are proposing a dividend of 2.2p, against 0.75p last time.

Mr W. C. Williams, chairman and managing director, said that in the first six months the company had invested in expanding its training, applications and conversion services. And the figures included the costs of setting up the New York operation and the results of two months trading.

He added that the customer base continued to grow and the company had more than 300 accounts, providing a firm base from which to expand.

The tax charge was £332,000 (£220,000) and there were extraordinary credits of £59,500 (£127,500 debits).

UK COMPANY NEWS

Bovis to expand US construction business

BY JANE RIPPETEAU

Bovis International, a subsidiary of Peninsular & Oriental Steam Navigation, and one of the UK's largest construction companies, is to significantly expand its activities in the huge US construction market via the acquisition of a 50 per cent stake in a top US construction management company.

The deal, sealed yesterday, is with Lehrer/McGovern, which in seven years has grown from two partners to a 1,000-person business with revenue of $47m (£32.5m) expected this year.

Lehrer/McGovern is privately owned and neither party would disclose the price of the purchase. The new group will be known as Lehrer McGovern Bovis.

Lehrer/McGovern's has attracted prestige clients such as IBM, General Foods and AT & T, and high-profile projects such as the trading floor at the New York Stock Exchange and restoration of the Statue of Liberty in New York harbour.

The company charges a fee to manage construction. It says current projects under management are worth $500m.

Mr Frank Lampl, chairman of Bovis International and an executive director of P & O, said the deal "would further our management expertise worldwide."

"US investors like to see an American company they know," he added.

Bovis expects 1986 turnover to reach £650m, with just 5 per cent of that from US operations, according to Mr Lampl. He said he hoped to double Lehrer/McGovern'e revenues in four years.

Mr Lampl pointed out that there was a second key motive for the purchase: to acquire American construction management techniques practised by Lehrer/McGovern.

These include so-called "fast-tracking," in which construction is begun before design is completed, and "value engineering," which calls for builders to work with architects and engineers during design.

Both techniqnes can dramatically reduce construction time and cost.

The two companies have worked together in London, with Lehrer/McGovern consulting on two Bovis projects—an apartment complex called Chelsea Harbour and Victoria Plaza.

Lehrer/McGovern earlier bought back a 25 per cent stake of its equity that it sold in 1984 to the Spanish construction company Entrecanales y Tavora.

See Fast-Track building, Page 18

Abaco chief's pay almost trebled

BY CHARLES BATCHELOR

MR PETER GOLDIE, chief executive of Abaco Investments, the fast-growing financial services company, nearly trebled his income from £64,259 to £175,607 in the year ended June 1986.

Mr Goldie said more than half the total consisted of e bonus payment related to growth in earnings per share. In the previous year no bonus had been in operation.

Mr Goldie and his two fellow executive directors, Mr Cameron Brown and Mr Rusty Ashman, qualify for the payment once the increase in earnings per share exceeds 15 per cent in e year.

Pre-tax profits at Abaco rose from £667,000 to £1.34m last year with earnings per share up from 0.7p to 1.14p. Abaco has expanded through a series of acquisitions of professional firms, including chartered surveyors, estate agents and insurance loss adjusters.

In a separate development yesterday British & Commonwealth Shipping, the financial services and transport group controlled by the Cayzer family, announced it had bought a further 500,000 Abaco shares to take its holding to 27.39 per cent.

B&C has said it will not go above 29.9 per cent of Abeco, which would trigger a takeover bid. Mr Goldie said the B&C holding, and a further 6.02 per cent stake held by Canada Life Assurance, represented shares in firm hands owned by companies which would back the further expansion of Abaco.

Westminster Press sells two newspapers

Westminster Press, a subsidiary of the Pearson group, is to sell its Barrow News & Mail division, publishers of the North-Western Evening Mail and the South Cumbria Star, to Innescourt Limited.

The principal shareholder of the company which is to be renamed Barrow News & Mail Limited, is Mr Philip Davies, who recently resigned as chairman of Senews, the Ladbroke subsidiary.

Westminster Press wishes to concentrate on non-suburban and daily newspaper centres, but Barrow is below the minimum population level it is now seeking.

AE share purchase ruling soon

The controversy surrounding AE's narrow escape from Turner and Newall's hostile bid is now expected to be ruled upon by the Takeover Panel early next week.

The Panel has been investigating the circumstances surrounding the acquisition of at least 10m AE shares in the final days of the bid which just denied Turner victory. The main question appears to be whether any of the parties acquiring those shares—and risking a considerable loss—had reimbursement agreements with AE and if so whether this relationship should have been declared.

Turner and Newall and its merchant bank Rothschild have become increasingly optimistic, as the Panel inquiry has stretched beyond two weeks, that the ruling will find against AE and that Turner and Newall will be released to renew its bid.

Sir Francis Tombs, chairman of Turner, said yesterday: "The delay has certainly made us more hopeful."

GIBBONS Lyons has acquired Eden Colours, inkmaker, in line with plans announced on joining the USM. Eden Colours based in Edenbridge, Kent, was founded by Wally Ball and Mario Vestuto.

Dixons retail sales buoyant

Dixons, the electrical retailing group which recently failed to take over Woolworth Holdings, reported a "highly satisfactory" start to the financial year at its annual meeting yesterday.

Mr Stanley Kalms, chairman, said sales were buoyant in the company's three retail chains, Dixons, Currys and Power City.

By Christmas, £32m of the £50m earmarked for shop expansion would have been spent.

"We are investing over £1m per week in the UK and will sustain this level throughout 1987," he said. "By the financial year end the group will have opened over 100 new stores."

Asked whether he planned to sell Dixons' 5 per cent holding in Woolworth, he said: "If Woolworth fulfil their promises this will be a good investment. If their promises are unsuccessful we will review the situation."

Amari correction

THE FT regrets that in yesterday's report of Amari's results for the six months to June 30 it was incorrectly stated that these showed a 15 per cent fall in pre-tax profits.

Yesterday's report correctly gave the actual figures at £3.47m as against £3.67m in the same period last year, a fall of 5.45 per cent.

We accept that this puts a different complexion on Amari's pre-tax profit position and apologise unreservedly for this error.

Go-ahead for Hanson ADR's

The US Securities and Exchange Commission has approved Hanson Trust's application for listing American Depositary Receipts (ADR's) for trading in the US.

Sir Gordon White, chairman of Hanson's US subsidiary, Hanson Industries, said the ADR's, each representing five Hanson ordinary shares as traded on the London Stock Exchange, would become effective for dealing on the New York Stock Exchange within four weeks.

Further purchases as Bennett & Fountain calls for £4m

BY NIKKI TAIT

Bennett and Fountain, the ecquisitive-hungry electrical appliance group, is planning two further purchases and asking shareholders for £4m via a one-for-three rights issue at 20.5p per share.

At the same time the group, with only its second set of figures since its launch on the USM last year, showed pre-tax profits of £1.31m for the 15 months ended June 30 1986, compared with £763,000 for the previous 15 months.

The two acquisitions are wholesaler Moss Electrical for £3.63m, and retailer Godwin for £530,000, both in cash.

Any comparison of Bennett's profit figures is confused by the change in year-end from March to June and the rapid rate of acquisitions—ten, including the latest pair, since the company came to the USM in early-1985.

The original wholesaling business contributed around 40 per cent of this year's pre-tax figure, says Bennett. In operating profit terms, it showed a 20 per cent improvement, while sales lifted 25 per cent, suggesting some pressure on margins though the company attributes this to a shifting customer and product base.

Newer wholesale operations which have been bought in are generally lower margin, but Bennett's plan is to switch their business away from contractors and towards industrial users. Once the Moss acquisition is complete, Bennett will have 25 wholesale branches, compared with seven last year. Moss itself made pre-tax profits of £600,000 in the year to end-February on sales of £6.5m.

The smaller retail side, which accounted for around 40 per cent of this year's sales, now consists of 12 stores compared with three a year ago. The loss-making Godwin — it made a deficit of £170,000 in the year to August — is being bought for its 6,000 sq ft freehold in Southampton, which produces annual sales of around £1.75m. Other parts of the business will be disposed of. Net asset backing is £445,000 and Bennett says there are useful tax losses.

The rights issue cash will be used to clear debt. Gearing is currently 50 per cent but should be back to zero after the £4m injection.

For shareholders, there is the first dividend since Bennett reversed into the old Rubber Estates of Ceylon shell — 0.6p a share. The shares themselves eased 1p to 24½p yesterday.

Albert Fisher boosts US operations

By Nikki Tait

FAST-GROWING fruit and vegetable distributor, Albert Fisher, is giving a further boost to its US operations with the purchase of Miami-based Tavilla Group for up to $13m (£9m).

Tavilla, which made pre-tax profits of around $370,000 on sales of $32m in the six months to end-June, imports and distributes fresh fruit and vegetables through bases in Florida, mainly supplying supermarkets and institutional catering customers.

The vendors — Mr Paul Tavilla and three other directors who will remain with Fisher following the ecquisition — have warranted profits of not less than $900,000 for the full year.

Fisher is paying $4m in cash et the outset, with a further $500,000 in new ordinary shares. Another $8.5m will be paid — just over $5m of it in cash — if profits met certain targets over the three to end-August 1989. Net assets of the Tavilla Group last June were $900,000.

Once the acquisition is complete, Tavilla will be merged into Fisher's existing subsidiary in Miami, Carnival Holdings.

Around half Fisher's 1985-86 profits — estimeted et around £8m and due leter this month — are expected to come from the US.

At the beginning of the year it paid up to $20m for US disposable paper and plastics products maker Ziff.

Marlborough Tech

Marlborough Technical Management's offer for sale of 6,513,636 ordinary shares at 110p was oversubscribed. The basis of the allotment will be announced today.

COMPANY NEWS IN BRIEF

RESULTS

TOYE & CO, producer of civil and military regalia, yesterday reported pre-tax profits of £241,000 against £237,000 for the first six months of 1986. Sales up nearly 5 per cent to £3.6m were achieved in part by reduced trading margins in an increasingly competitive market, the directors said.

BIO-ISOLATES (Holdings) losses were £397,900 for first half of 1986 before and after tax, compared with £158,200 and included a share of US joint venture loss of £114,000. Turnover amounted to £90,100 (£115,600). Loss per share was 3.48p (1.38p).

ARC, subsidiary of the Gold Fields Group, prodnced lower pre-tax profits of £73m (£79m) for the year ended June 30 1986 on turnover of £750m (£680m). Profits from both the UK aggregate division, at £42m, and trading operations in the US, at £?0m, were at record levels, the directors stated. During the year £25m was invested for growth both through acquisition of reserves and plant development.

ALFRED WALKER, commercial property developer, incurred losses of £104,000 (profits £25,000) in year to end-April 1986. Dividend is being passed (0.75p). Loss per share 9.6p (earnings 0.6p). Extraordinary debit £122,000 (nil). Turnover £960,000 (£934,000). Directors consider financial and cash resources satisfactory for present business.

BIOMECHANICS International, effluent treatment engineers, ennounced an interim operating loss of £72,712, reflecting a moderate improvement in the company's trading performance from last year's interim figure of £122,853, said the chairman.

BIDS AND DEALS

JEFFERSON SMURFIT, the Irish group, and Morgan Stanley, the US investment bank, yesterday completed the acquisition of Container Corporation of America in a $1.24bn deal which will transform Smurfit into the seventh or eighth biggest paper company in the world.

SUTER has disposed of its stake in BV Nederlandse Optische Enot and associated companies. Consideration, together with debt elimination, amounted to Fl 5.83m (£1.78m).

BET, international services group, has acquired, for US$8.5m (£5.9m) cash, Spalding Services based in Louisville, Kentucky. Turnover of Spalding is $15m. The deal is through BET's industrial services company, Initial, which described the purchase as a significant step in extending its coverage of the US eastern seaboard.

AEROSPACE ENGINEERING has contracted to purchase Greywater which is engaged in the manufacture of high precision tooling for the production of gas turbine blades and ceramic cores used in the eerospece industry. Initial consideration will be £2.5m cash, of which £650,000 will come from a vendor placing.

CITY AND Westminster Finance, the corporate finance company which appears poised to launch a takeover bid for Bremner, the Glasgow store group, has bought a further 1.32 per cent stake in Bremner to take its holding to 26.96 per cent.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Abingworth	1.25	—	1.25	1.25	1.25
Amstrad	0.25	—	0.12*	0.35*	0.19*
A. Beckman	3.78	Jan 6	3.78	5.73	5.73
Bennett & Fountain	0.6¶	—	—	0.6	—
BSG int	0.48	—	0.39	—	1.1
CI Group int	0.43	Dec 5	0.4	—	0.9
Foseco Minsep int	2.95	—	2.95	—	9
MY Holdings int	0.4†	—	0.33	—	1
Renishaw	1.5	—	1.25	2.2	1.85
Synapse Comp. Servs.‡	2.2	Nov 26	0.75	2.2	0.75
Alfred Walker	nil	—	0.75	nil	0.75

Dividends shown in pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ For 15 months.

UK COMPANY NEWS

Cadbury stake in SA offshoot is reduced

By Jim Jones in Johannesburg and Lisa Wood in London

Cadbury Schweppes is to reduce its interest in its South African subsidiary from 64.4 per cent to 53.1 per cent as the result of an acquisition. Cadbury Schweppes South Africa (Cadswep) is to issue 1.12m new shares et an effective price of R30 each to acquire Bromor, food and fruit squashes company, increasing the number of its ordinary shares in issue to 6.32m.

Murray and Roberts, the diversified civil engineering group which controlled Bromor, said it preferred cash to new Cadswep shares and sold the 17.6 per cent holding in the enlarged company to Anglovaal Industries, the industrial holding arm of the Anglovaal group.

Last year Cadswep earned a pre-tax profit of R6.9m (£1.1m) on a turnover of R133m. It paid a dividend of 64 cents from earnings of 107.2 cents a share. The directors estimated that the Bromor acquisition would increase earnings per share by about 10 per cent this financial year.

Cadbury Schweppes said in London that its equity reduction in the South African business was a consequence of the development of the South African company and not a consequence of it wishing to reduce its holding. The acquisition was in line with its strategy

YEARLING bonds totalling £2.250m at 11 per cent, redeemable on 27 September 1987, have been issued by the following authorities: Eastbourne Borough Council £0.25m; Kirklees Metropolitan Borough Council £2m.

Foseco suffers all-round decline and falls £4.5m

ADVERSE CONDITIONS in North America together with an exceptional provision as a result of s major US customer filing for bankruptcy left first half profits of Foseco-Minsep some £4.5m lower at the pre-tax level.

The directors said yesterday that demand patterns had become more irregular since the half year end and that levels of activity in industries served were not expected to show a significant improvement over tho rest of the year.

They added, bowever, that the benefits from measures in hand would flow in 1987.

Levels of activity during the first six months of 1986 in many major markets served by tho group were generally lower, particularly in May and June—tha group manufactures specialised chemical and other products, principally for the metallurgical, construction, engineering and mining industries.

Sales for the period fell from £294.74m to £276.93m and profits before tax from £17.71m to £13.23m — City analysts had been looking for figures of between £16m and £17m.

The interim dividend is being held at 2.95p net per share from earnings 4p lower at 7.5p.

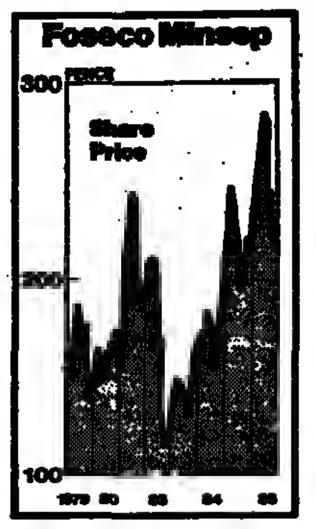
The directors said that in North America there were poorer performances from most operations.

They pointed out that the US steel industry was experiencing very difficult conditions, highlighted by bankruptcy of LTV, (the country's second largest steel producer), which necessitated a bad debt charge of £1.6m above the line.

Also, supplies and credit were further limited to those customers with weak finances.

Europe maintained continuing progress with notable performances in Germany, the UK and France.

Far East operations performed well, except in Japan where manufacturing industry had been affected by the strength of the yen.



The directors said that each of the group's areas of activity earned less than in the first half of 1985.

They added that a review of all operations had been made and rationalisation was under way. This may lead to disposal or closure of some operations and facilities, particularly in the US.

Despite immediate problems, many opportunities existed for the group's continuing flow of products and services.

Tha directors summed up: "Action will be helped by a recent reallocation of responsibilities among senior group executives, predominantly on a geographical basis."

Net interest charges for the opening half took £2.77m (£3.58m) and tax accounted for £6.29m (£7.44m).

● comment

Foseco Minsep's figures were far below the market's expectations, and shareholders had every reason to be shocked in the light of the bullish remarks made by the chairman in his annual report just seven weeks before the end of the balf year. The share price dropped 15p to 206p on the announcement but later pulled back up to 218p, presumably on the expectation that the 1987 figures would bring a recovery; certainly the current year pe of 15 produced by the £27m or so in sight for 1986 would hardly justify the price. The 1987 figures may well be better, but it is debatable whether they will take the company beyond the plateau on which it was stuck last year. The case for buying at these levels looks thin: the 6 per cent yield is a temptation to those who believe Foseco will one day win immunity from cyclical downturns in the world metallurgical industry, but some of the buying is undoubtedly coming from those who believo that the track record would prove a poor defence to a bid.

BSG Intl lifts interim profits to over £6m

BSG International, motor dealer and seat belt manufacturer, has produced record interim pre-tax profits of £6.05m. This is compared with £3.82m and is close to 1985's full year figure of £6.52m as forecast.

Directors have declared an interim dividend of 0.48p (0.385p) and expect to recommend an increased final dividend for 1986 — last year's was 0.715p.

After tax of £1.1m (£776,000) earnings were 3.25p (2.01p) per share.

Interest payments were higher than last year's at £2.3m (£1.87m), but in line with the second half of 1985, because of the cash element of the Adams and Gibbon acquisition and increased working capital.

Trading profits amounted to £8.36m (£5.39m) and were split between vehicle distribution £3.45m (£2.48m) and manufacturing £4.91m (£2.91m).

The group's sale of two companies, three Vauxhall Bedford dealerships and a 20 per cent interest in American Sunroof Corporation, reduced its borrowings by about £6m.

The directors said that trading in July and August continued to be encouraging. BSG's shares finished the day up ½p at 49p.

CI profits rise to £0.5m midway

C.I. Group, engineer and tool distributor, formerly known as Cooper Industries, reported pre-tax profits for the six months to end-July 1986 up from £473,000 to £504,000. Turnover was down at £12.29m, against £13.84m, resulting from the sale of unprofitable businesses.

Earnings per 10p share came out at 1.38p (1.18p) and the interim dividend has been raised to 0.425p (0.4p).

Abingworth net asset value falls to 277p

UNCERTAINTIES IN the technology sector, particularly in the US, together with a weakening dollar against sterling, left tho net asset value per share of Abingworth, venture capital investment concern, down from 286p to 277p over the year ended June 30 1986. The figure, bowever, had recoveed to 284p by September 29.

Pre-tax profits for the period increased to £504,000, against £466,000. After a tax charge of £155,000 (£50,000 credit) earnings wer given as 1.7p (2.4p) per 10p share, while the dividend is unchanged at 1.25p.

During the year US$3.9m (£2.7m) was invested in nine companies in the US—where over 70 per cent of the portfolio is located—and a further $3.9m invested in 16 new companies and $5.1m provided for 17 follow-on investments in the previous year.

● comment

Abingworth has been struggling for the last three years to keep its net asset valne within striking distance of the 302p at the time the company came to the market in mid-1983. While this has been hard work, comparisons with the performance of competitors suggests that Abingworth has played the US high-tecrnology market better than most. The hope, once again, is that the £20m worth of unlisted US stocks in the portfolio contain a few gems and that the new issue market across the Atlantic becomes more active soon. However, investors may well feel that the shares at 210p have not bottomed out yet and have proved rather too vulnerable to a *rising discount to net asset* value — yesterday this had widened to 26 per cent — for them to be an attractive buying proposition. Holders, however, could do worse than sit and wait until the dollar strengthens and or the technology sector comes back more firmly in to vogue on Wall Street.

BOARD MEETINGS

The following companies have notified dates of board meetingu to the Stock Exchange. Such meetingu ure usually held for the purpose of conuidaring dividendu. Official indicationu ura not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: Brown und Jackson, Cluff Oil, Ealing Electro-Optics, Empire Storea, Etam, Erith, Ibstock Johnuen, Kalen, Lilleshall, Albert Martin, NMW Computers, PLM, TR City of London Trust.

Finals: Galliford, S. R. Gent, HTV, Mitchell Cotts, Murray Electronics, Rivoli Cinemas, H. Young.

FUTURE DATES

Interims:

Conrad	Oct 15
Hunting Associated Industries	Oct 16
Hunting Petroleum Services	Oct 6
Monument Oil and Gas	Oct 6
PSM Internationul	Oct 6
Seara	Oct 7
Silkolene Lubricants	Oct 7
Svenuka Celluiguu	Oct 15
Finals:	
Bejam	Oct 15
Britannia Security	Oct 6
Canadian O'seas Puck'ing Ind	Oct 9
Ramuu	Oct 13
Thorpe (F. W.)	Oct 6

NOTICE OF REDEMPTION

DOW CHEMICAL OVERSEAS CAPITAL N.V.

KD5,000,000 11¼% GUARANTEED NOTES
November, 1986.

Redemption Date: 1st November, 1986

Redemption Price: 101% of Principal Amount
Payment Date: 3rd November, 1986

Notice is hereby given to the holders of the 11¼ per cent Guaranteed Notes due November 1, 1988 (the "Notes") of Dow Chemical Overseas Capital N.V. (the "Company") that pursuant to Condition 5(c) of the terms and conditions of the Notes the Company has elected to redeem all the outstanding Notes on November 1, 1986 (the "Redemption Date") at a redemption price of 101% of the principal amount thereof.

Payment of the Redemption Price, together with the interest due on 1st November, 1986 will be made on or after 3rd November, 1986 (the "Payment Date") upon presentation and surrender of the Notes, together with all Coupons appertaining thereto maturing after the Redemption Date at the offices of the Fiscal Agent or the Paying Agent set forth below.

The Notes will no longer be outstanding after the Redemption Date. The Redemption Price, together
The interest on Notes shall cease to accrue from 1st
DUE NOVEMBER 1, 1988
with the interest due on 1st November, 1986 will become due and payable on 3rd November, 1986.

Fiscal Agent:
Kuwait International Investment Co. S.A.K.
Gates No. 1-8, Al Salhiya Commercial Complex
5th Floor, Block No. 1
P.O. Box 22792 Safat
13088 Kuwait

Paying Agent:
Morgan Guaranty Trust Company of New York
Avenue des Arts 35
B-1040 Brussels, Belgium

by
Kuwait International Investment Co. s.a.k.
(Fiscal Agent)

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY—Indices of industrial production, manufacturing output (1980=100); engineering orders (1980=100); retail sales volume (1980=100); retail sales value (1980=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value*	Unemployed	Vacs.
1985							
1st qtr.	106.7	103.5	104	112.4	133.9	3,138	153.6
2nd qtr.	108.9	104.5	100	115.0	141.4	3,174	161.7
3rd qtr.	108.4	103.7	103	116.3	145.2	3,124	164.4
4th qtr.	108.4	103.5	106	116.6	177.7	3,122	168.2
1986							
1st qtr.	108.2	102.8	97	118.0	146.4	3,171	164.6
2nd qtr.	109.4	103.2		120.2	152.7	3,208	175.1
January	108.3	102.4	98	117.0	145.6	3,153	159.7
February	108.8	103.0	98	117.2	140.9	3,161	165.0
March	109.5	102.9	105	119.8	148.6	3,199	168.5
April	110.4	103.7	102	119.3	152.1	3,200	169.0
May	108.1	103.8	111	118.2	149.8	3,205	171.1
June	106.7	103.3		122.4	155.4	3,220	185.3
July	110.2	104.2		120.9	158.2	3,223	195.2
August				122.9		3,224	201.3

OUTPUT—By market sector; consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1980=100); housing starts (000s, monthly average).

	Consmr. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1985							
2nd qtr.	102.4	105.0	113.5	105.6	115.9	102.1	18.2
3rd qtr.	104.2	102.2	112.3	103.5	114.4	103.2	17.2
4th qtr.	103.7	102.6	113.5	103.1	111.6	102.8	15.6
1986							
1st qtr.	103.0	102.3	115.3	102.0	110.4	103.8	14.2
2nd qtr.	104.4	101.7	112.2	102.4	111.7	104.0	19.5
January	102.0	101.9	114.3	102.0	112.0	103.0	13.9
February	103.7	102.8	116.2	102.0	110.0	105.9	12.5
March	103.3	102.7	115.5	103.0	110.0	103.0	16.2
April	104.9	102.3	116.7	103.0	109.0	106.0	18.7
May	104.0	101.6	113.0	102.0	112.0	102.0	18.9
June	104.3	101.3	110.2	102.0	114.0	104.0	22.0
July	105.1	101.9	116.5	103.0	115.0	102.0	20.4

EXTERNAL TRADE—Indices of export and import volume (1980=100); viable balance; current balance (£m); oil balance (£m); terms of trade (1980=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserve US$bn*
1985							
2nd qtr.	120.5	124.8	−124	+1,587	+2,411	97.8	14.32
3rd qtr.	116.2	124.1	−453	+1,472	+1,900	100.2	14.15
4th qtr.	118.9	127.9	−803	+612	+1,893	101.6	15.54
1986							
1st qtr.	117.4	126.1	−1,459	+597	+1,922	101.1	18.75
2nd qtr.	120.8	128.1	−1,612	+345	+732	102.4	19.29
January	118.6	120.1	+124	+1,102	+949	101.8	15.56
February	120.6	125.9	−378	+161	+643	100.7	15.81
March	112.0	132.2	−1,205	−666	+330	100.7	18.75
April	121.5	128.4	−292	+300	+252	101.7	18.90
May	120.2	131.2	−698	−48	+201	102.0	19.17
June	120.7	129.6	−623	+30	+279	103.6	19.29
July	126.6	134.0	−588	+12	+281	103.2	19.06
August	117.3	142.3	−1,486	−886	+211	103.9	18.93

FINANCIAL—Money supply M0, M1 and sterling M3, bank advances in sterling to the private sector (three months' growth at annual rate); building societies' net inflow; HP†, new credit; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M1 %	M3 %	Bank advncs. %	BS inflow £m	HP lending† £m	Base rate %
1985							
2nd qtr.	5.1	22.4	20.4	19.2	1,523	3,088	12.50
3rd qtr.	5.5	15.4	11.6	17.5	1,771	3,374	11.50
4th qtr.	1.4	25.1	17.8	17.7	2,290	3,451	11.50
1986							
1st qtr.	6.5	9.0	10.7	12.2	2,220	7,285	11.50
2nd qtr.	2.5	32.0	32.0	28.7	1,433	7,658	10.00
February	4.6	5.2	6.8	9.1	793	2,491	12.50
March	5.1	8.2	14.3	18.4	657	2,369	11.50
April	0.3	21.5	23.6	26.5	756	2,742	11.50
May	3.5	42.8	39.4	27.9	500	2,372	10.00
June	3.8	35.1	33.5	25.0	177	2,543	10.00
July	3.7	29.1	18.5	15.9	387	2,720	10.00
August	5.4	13.5	11.0	17.8	452		10.00
September							10.00

INFLATION—Indices of earnings (Jan 1980=100); basic materials and fuels, wholesale prices of manufactured products (1980=100); retail prices and food prices (Jan 1974=100); Reuters commodity index (Sept 1931=100); trade weighted value of sterling (1975=100).

	Earnings*	Basic matls.*	Whsale. mnfg.*	RPI*	Foods*	Reuters* cmdty.	Sterling
1985							
2nd qtr.	170.3	135.8	139.4	375.3	339.4	1,954	78.9
3rd qtr.	174.4	133.1	140.2	376.3	335.5	1,706	82.2
4th qtr.	176.9	132.6	141.4	378.1	337.4	1,771	79.5
December	180.0	124.7	141.9	378.9	339.4	1,771	79.1
1986							
1st qtr.	179.1	132.6	142.4	380.8	343.3	1,813	75.1
2nd qtr.	184.0	125.3	145.7	385.7	349.5	1,453	76.1
January	176.9	135.0	142.7	379.7	341.1	1,840	76.6
February	177.9	123.5	140.2	381.1	343.6	1,806	74.3
March	182.4	129.4	144.3	381.6	345.2	1,812	74.6
April	184.0	127.1	145.4	385.3	347.4	1,786	76.2
May	182.3	128.7	145.9	386.0	348.8	1,763	76.1
June	185.7	124.6	145.8	385.8	351.4	1,453	75.9
July	188.0	120.0	145.9	384.7	347.4	1,460	74.0
August		120.6	146.1	385.9	348.6	1,461	71.4
September							70.4

* Not seasonally adjusted.
† From January 1986 includes amounts outstanding on credit cards.

UK COMPANY NEWS

Enlarged MY nears £1m

MY Holdings, enlarged via the £4.1m acquisition in August of the Sharp companies, increased its first half profits by 29 per cent and as forecast at the time of the purchase the interim dividend is being increased from 0.325p to 0.4p net.

The results of the Sharp companies (Sharp Interpack and Cathedral Componds) were incorporated on a pro-forma basis in accordance with the principles of merger accounting.

In all, group pre-tax profits for the first half of 1986 rose from £747,000 to £960,000.

Excluding the two companies MY Holding profits showed an improvement of 34 per cent at £417,000.

Turnover for the half year edged ahead from £14.12m to £14.64m—the group manufactures sports equipment, packaging materials and pyrotechnics. The Sharp companies make transparent plastic packaging products.

Tax accounted for £333,000 (£290,000) and there was also an extraordinary debit this time of £172,000 relating to the unsuccessful bid for Standard Fireworks.

Earnings worked through at 2.07p, against a previous 1.51p. Fully diluted they amounted to 1.95p, an improvement of 0.52p.

The directors said yesterday that in addition to the benefits of Sharp Interpack they anticipated a continuing improvement in the overall performance from the rest of the group.

Beckman falls back in second half

A. Beckman, with interests in textiles and property, suffered a slight downturn in the second six months and for the full 1985-86 year experienced a profits decline from £1.51m to £1.44m pre-tax.

Profits from the textile activities fell from £1.13m to £988,000. The directors said, however, that the results here were satisfactory in view of a curtailed demand due to the cold spring which resulted in slower retail sales.

The division had started the current year well and it was hoped that the trend would continue.

Property profits improved from £419,000 to £532,000—a professional revaluation of the investment property portfolio threw up e surplus of £310,000.

Group eurnover for the past year (to end-June 1986) slipped from £13.75m to £12.8m.

Interest charges doubled to £81,000 but tax was reduced by £124,000 to £516,000 and left net profits at £923,000, compared with a previous £869,000.

Earnings improved by 0.6p to 9.1p per 10p share. A final dividend of 3.78p makes a same-again 5.73p oet total.

Second half lift for Renishaw

SECOND HALF profits up from £3.7m to £4.8m at Renishaw lifted the pre-tax total of this manufacturer of metrology and inspection equipment to £7.02m for the year ended June 30, 1986, against £5.63m.

Turnover for the 1985-86 period expanded from £15.55m to £21.39m giving an operating profit of £6.38m, compared with £5.23m. Profits included interest receivable, up from £397,000 to £638,000, but were subject to tax of £2.02m (£1.81m).

Earnings per 5p share were given as 16.22p, against 12.71p while the dividend is lifted to 2.2p (1.85p) with a final payment of 1.5p.

On September 8 the US Court of Appeals affirmed in all respects the judgment which granted an injunction against GTE Valeron Corporation from manufacturing and selling probing products subject to patents owned jointly by the group and Rolls-Royce.

NOTICE OF REDEMPTION

To the Holders of

General Mills, Inc.

U.S. $100,000,000 12% Notes, Series A, due December 19, 1991

NOTICE IS HEREBY GIVEN to the holders of the outstanding 12% Notes, Series A, due December 19, 1991 (the "Notes") of General Mills, Inc. (the "Company") that, pursuant to the provisions of Section 7(a) of the Series A Fiscal and Paying Agency Agreement dated as of December 19, 1984 between the Company and Morgan Guaranty Trust Company of New York (the "Fiscal Agent") and Paragraph 4(a) of the Terms and Conditions of the Notes, the Company has elected to redeem on October 15, 1986 U.S. $23,715,000 principal amount of the Notes (the "Redemption Notes") at a redemption price equal to 101% of the principal amount thereof, together with accrued interest to said date, in the amount of U.S. $493.33 for each U.S. $5,000 principal amount and U.S. $986.67 for each U.S. $10,000 principal amount as follows:

OUTSTANDING NOTES OF $5,000 EACH BEARING THE FOLLOWING DISTINCTIVE NUMBERS:

[illegible]

OUTSTANDING NOTES OF $10,000 EACH BEARING THE FOLLOWING DISTINCTIVE NUMBERS:

[illegible]

Payment will be made, subject to applicable laws and regulations, in U.S. dollars on and after October 15, 1986 upon presentation and surrender of the Redemption Notes with coupons due December 19, 1986 and subsequent coupons attached, failing which, the amount of missing unmatured interest coupons will be deducted from the sum due for payment and paid in the manner set forth in the Terms and Conditions of the Notes against surrender of the related missing interest coupons within the period of time provided by the applicable statute of limitations, at the main offices of the Fiscal Agent in London, Brussels, Frankfurt am Main, Paris and Tokyo, the main office of Amsterdam-Rotterdam Bank N.V. in Amsterdam, the main office of Swiss Bank Corporation in Basle and the main office of Kredietbank S.A. Luxembourgeoise, in Luxembourg. Payments at said offices will be made by a United States dollar check drawn on a bank located in The City of New York, or by transfer to a dollar account maintained by the payee with a bank in London. No payment on any Bearer Note will be made at the Corporate Trust Office of the Fiscal Agent or any other Paying Agency maintained by the Company in the United States nor, except as otherwise permitted by U.S. Treasury Regulations without adverse tax consequences, will any payment be made by transfer to an account maintained by the payee in, or by mail to an address in, the United States.

From and after October 15, 1986, the Redemption Notes will no longer be outstanding and interest thereon shall cease to accrue. U.S. $1,975,000 principal amount of Notes will remain outstanding after the redemption.

It is suggested that each holder consult his own tax advisor concerning his particular tax situation.

Any payments made to an address in the United States, directly or by electronic transfer, may be subject to reporting to the United States Internal Revenue Service ("IRS") and to backup withholding of 20% of the gross proceeds if payees not recognized as exempt recipients fail to provide a Paying Agent with an executed IRS Form W-8 in the case of non-U.S. persons or an executed IRS Form W-9 in the case of U.S. persons. Under the Interest and Dividend Tax Compliance Act of 1983, we may be required to withhold 20% of any gross payments made within the United States to certain holders who fail to provide to a Paying Agent listed above, and certify under penalties of perjury, a correct taxpayer identification number (employer identification number or social security number, as appropriate), or an exemption certificate on or before the date the securities are presented for payment. Those holders who are required to provide their correct taxpayer identification number on IRS Form W-9 and who fail to do so may also be subject to a penalty of $50 imposed by the IRS. Please therefore provide the appropriate certification when presenting your securities for payment.

GENERAL MILLS, INC.

DATED: September 16, 1986

APPOINTMENTS

Charter Consolidated finance director

The director responsible for finance and investment at CHARTER CONSOLIDATED, Mr Francis Howard, wishes to pursue new interests, and will leave the company about the end of February, 1987. Mr Richard K. A. Wakeling will join the board on December 1 and will be appointed finance director. Mr Wakeling is group finance director of John Brown. Mr Jeffrey W. Herbert, who became a full-time director of Charter Consolidated in April 1985, has joined the executive committee.

★

Mr Robin Hosie and Mr Andrew Lynam-Smith have been appointed to the board of THE READER'S DIGEST ASSOCIATION. Mr Hosie as editorial director, special books, and Mr Lynam-Smith as marketing director.

★

CHARTERHOUSE INVESTMENT MANAGEMENT, international investment arm of Charterhouse, has appointed Mr Bob Dellow as e director, with responsibility for investment dealing for the group. Three directors have been appointed to the board of Charterhouse Asset Management: Ms Patricia Preneta will be responsible for Japanese investments; Mr Stephen Dewds will take charge of Continental European investments, and Mr David Kidd will have responsibility for international economics, international bonds and UK gilt-edged investments. Charterhouse is a wholly-owned subsidiary of the Royal Bank of Scotland Group.

★

Mr Paul M. Hazel has been appointed financial director, food beverage and packing division of BRENT CHEMICALS INTERNATIONAL. He was formerly group chief accountant/treasurer.

★

Mr Robert Burke has been eppointed general manager (investments) of the NORWICH UNION INSURANCE GROUP with responsibility for the real estate and investment divisions. Mr Mike Sandland is appointed chief investment manager from the same date. Mr Edgar Alleway has been appointed general manager for the Republic of Ireland for the Norwich Union Life Society.

★

Mr Brian Smalley has been appointed managing director of IMI YORKSHIRE IMPERIAL PLASTICS in succession to Mr Patrick D. Peel Yates who is to retire on October 31. Mr Smalley was chairman of IMI Broderick Structures. Mr Andrew D. Toomey has taken over as managing director of IMI Broderick Structures and Ives Cladding.

★

Mr John Walton, director of UK operations at ELANCO PRODUCTS, is to become director of European dairy projects.

★

At the POST OFFICE, Mr Ken Young, board member for personnel and corporate resources, will also be vice-chairman from today. Mr Young joined the Post Office in 1972 from the GEC where he was a director and group personnel manager. He previously held personnel management appointments with Elliot Automation, Massey Ferguson (UK) and Smiths Industries.

Mr Ken Young, Post Office vice chairman

★

YAMAICHI INTERNATIONAL (EUROPE) has eppointed Mr Alan J. Towner executive director, floating rates; and Mr Staffan Gadd as senior international advisor.

★

Mr Vernon Sangster has become president of VERNONS ORGANISATION, while Kenneth A. Paul becomes deputy chairman and joint chief executive. Mr Michael D. Heeley, formerly a director of The British Linen Bank, joins the board as joint chief executive. Mr Guy Sangster, eldest son of the chairman Mr Robert Sangster, becomes a director.

★

Mr Declan Salter has been appointed London sales director of WATMOUGHS, a subsidiary of Watmoughs (Holdings).

★

CATER ALLEN HOLDINGS has completed the acquisition from Citicorp Insurance Holdings of Citicorp Underwriting Agencies, which has changed its name to Cater Allen Members Agency. Mr R. D. Hazell and Mr D. J. White have been appointed non-executive directors. Mr E. J. N. Taylor and Mr I. P. W. Starkey continue as executive directors.

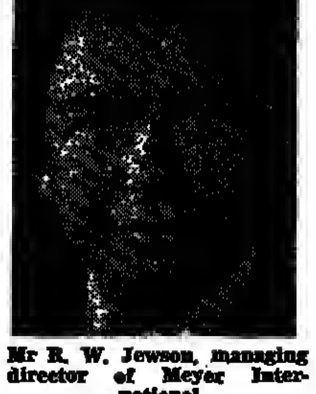
★

BRITISH CALEDONIAN AIRWAYS has made a number of changes to its board structure. Mr Peter Smith, director of planning and corporate affairs, is appointed commercial director, responsible for BCAL sales, marketing and product planning activities, worldwide. Mr John Prothero Thomas, director of projects and quality assurance, is appointed director of planning and corporate affairs, responsible for route, fleet and commercial planning, in addition to the BCAL public affairs, government affairs and international relations activities. He retains responsibility for projects and quality assurance. Mr Rod Hoare, head of ground operations and logistics, is appointed to the board as ground operations director, responsible for BCAL's ground passenger services and aircraft handling at the Gatwick hub; and system control across the route network. He is also responsible for the day to day administration of the airline's security services, although manager security services has direct access to the managing director.

Mr Colin Smith, director of finance and services, has resigned on the grounds of ill-health. Mr Trevour Boud, executive vice chairman, BCAL group, and group finance director, will oversee all aspects of BCAL financial matters, until such time as e successor is appointed. Chief accountant, Mr John Denman, will be responsible for the day-to-day running of BCAL's finance department. Mr Alan Deller, commercial director, has resigned.

★

MEYER INTERNATIONAL has appointed Mr R. W. Jewson managing director of the group. He has resigned from the board of Jewson, of which he was managing director, and Mr R. T. Reynolds has succeeded him in that post. Mr R. E. Groves, who has combined the roles of chairman and managing director, will retire from the board in July 1987 when the deputy chairman, Mr H. G. (Oscar) DeVille, will assume the chairmanship. Mr K. J. Biggs and Mr R. T. Reynolds become directors of Meyer International. Mr Biggs will remain a director of Meyer International Forest Products. Mr Reynolds was operations director of Jewson.



Mr R. W. Jewson, managing director of Meyer International

★

Mr W. P. Bowman has been appointed chairman of FOCUS (Forum for Occupational Counselling and Unemployment Services), an organisation that specialises in helping redundant workers find satisfactory alternatives to the jobs they are losing. It is a commercial organisation partly supported by the London Enterprise Agency, Whitbread and other public companies. Mr Bowman is chairman of Royds McCann, and was formerly personnel director for United Biscuits (UK).

★

Mr Claudio Belli has been appointed head of the international sector and chairman and chief executive of HAY MANAGEMENT CONSULTANTS.

★

Mr Cedric Briscoe has become head of the newly-formed international letters services division. Mr Briscoe, a Post Office director since 1977, will now take charge of e major business offering a wide range of international letter mail services, for both the business and private user, to every country in the world. Prior to this eppointment, he was in charge of organisation and management development and has also been regional director for the south-east.

★

Mr Derek Bucknall has been appointed to the board of BRITISH AEROSPACE. He joined the company as e director of personnel last May.

Chairman for Anglia Television

ANGLIA TELEVISION chairman Lord Buxton is to be succeeded by deputy chairman Mr Peter Gibbings on his retirement in 1988. Under IBA rules Lord Buxton is due to retire in July 1988 on reached the compulsory age of 70, but has decided to hand over four months early, at the annual meeting in March 1988. Mr Gibbings will retire as chairman of the Guardian and Manchester Evening News before becoming Anglia chairman and will live in Norfolk. Mr Gibbings is also chairman of the Press Association and a director of Reuters.

Mr John McNally has been appointed manufacturing director of the shaving business of WILKINSON SWORD. He was with The General Electric Company.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price	+ or −	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
§43	F.P.	—	59	49	♦Broad St. Grp.10p	49	......	b1.1	2.2	3.2	20.2
§130	F.P.	17/10	195	152	♦Creighton Labs 20p	182	+2	U3.7	2.2	2.9	22.1
160	F.P.	24/10	146	123	Euro Home Products 5p	125	......	R4.25	2.5	4.8	9.6
§105	F.P.	16/10	112	104	♦Eve Construction	104	−2	u4.5	3.2	6.1	7.3
134	F.P.	—	161	134	♦F & H Group 10p	142	......	L4.76	2.5	4.6	12.0
‖‖	F.P.	—	28	27½	Group Development	27½	......	—	—	—	—
150	F.P.	15/10	165	156	Harrison Inds. 10p	158	+1	φ5.0	2.7	4.5	11.8
105.25	F.P.	—	108	104	India Fund £1	108	......	—	—	—	—
§135	F.P.	24/10	156	145	♦Local London Group 5p	156	+5	W5.0	1.8	4.5	17.6
§75	F.P.	24/10	79	73	♦Newage Trans 5p	73	......	R3.5	2.5	6.8	8.3
§25	F.P.	22/10	25½	25¼	Nth of Scotland Inv 10p	25½	......	—	—	—	—
135	F.P.	24/10	160	151	Sandell Perkins 10p	158	+1	s3.8	2.9	3.4	14.5
—	F.P.	3/10	18½	9	Sutcliffe Speak Wrnts	15½	......	—	—	—	—
130	F.P.	21/8	173	137	♦TV-am 10p	169	+4	R5.75	2.6	4.8	11.3
‖‖	F.P.	—	385	348	♦Utd. Trust & Credit £1	348	−12	u14.0	2.1	5.7	12.0
‡‡	F.P.	—	100	85	Welsh Ind. Inv. Tst. 5p	90	+5	—	—	—	—
125	F.P.	10/10	156	136	Yorkshire TV	137	+1	R6.25	2.4	6.4	9.3

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price £	+ or −
£100	F.P.	23/10	100½	91½	Bournem'th & Dist Wtr 10⅝%Rd Db 1996	92½	+¾
¶	Nil	—	6pm	6pm	♦Goodhead Print 7% Cnv. Red. Prf	6pm	—
¶¶	F.P.	26/9	94p	80p	Hollis 252% Cnv. Subord. Ln. 1988 (2½p)	80p	—
§100	£10	15/5	9½	3¾	Mid-Sussex Water11% Red Deb2012-16	5	+½
§100	F.P.	10/10	110½p	105p	Mountleigh 5.25% Cnv. Cum. Prf.	106p	+1
§99.997	£25	24/10	25¾	22¾	Nationwide 3¾% IL Ln. 2021	23¾	+1½
—	F.P.	—	100⅛	98⅛	Do 9¾% 7/9/87	98½	+½
—	F.P.	—	100⅛	99⅛	Do 10⅛% 21/9/87	99⅛	+⅛
§100	F.P.	23/10	100⅞	91½	Portsmouth Water 10½% RedDeb 1996	92½	+¾
‖	F.P.	24/10	108½p	100p	Rush & Tompkins7.5%Cnv.Cum.Red.Prf.£1	100p	......
96.645	£25	8/1	24¾	17	Scot. Met. Prop. 10½% 1stMort.Deb.2016	20½	+2
—	F.P.	—	109	104p	Scott. & Newcastle 7% conv. Pref. £1	109p	+2½
—	F.P.	9/10	98p	96p	Sutcliffe Speak 9½% Red. Cum. Prf.	98p	—
‡‡	F.P.	24/10	122p	115p	WCRS 5½% Cnv. Cum. red. Pref. 1999	116p	—
‡‡	F.P.	—	95p	92½p	Walker (C & W) 6½pc Cnv Cum Red Pref	94p	—
‡‡	F.P.	—	104p	102p	Williams Hldgs 5¾% Cum Cnv Prf	102p	—

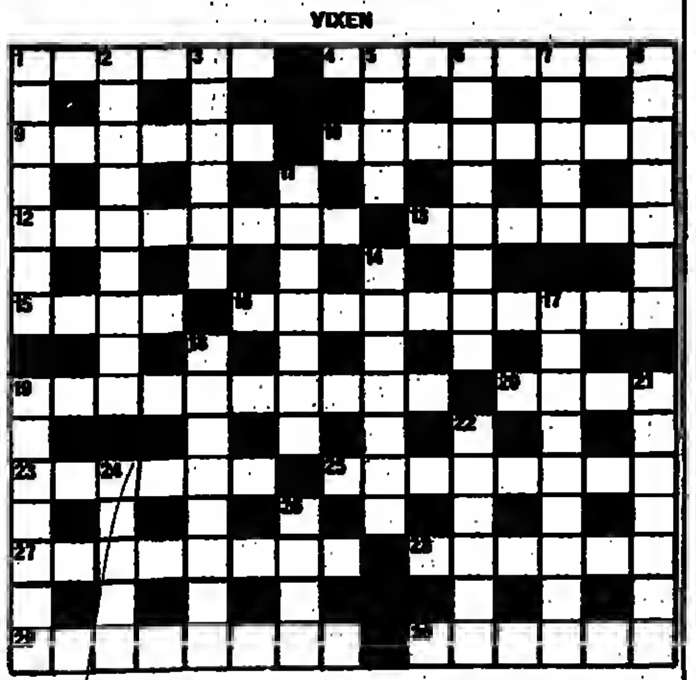
"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or −
325	Nil	—	10pm	10pm	Appleyard Group	10pm	—
120	Nil	21/11	18pm	16pm	Brent Chemicals 10p	18pm	+2
195	Nil	24/10	18pm	4pm	Bunzl	8pm	+1
‖	Nil	24/10	1pm	½pm	Cambrian Venture Cap. 5p	½pm	—
25	Nil	23/10	8pm	4pm	Christy Hunt	4pm	—
$1.80	Nil	—	12½pm	12½pm	E.R.I.C.	12½pm	—
75	Nil	11/11	30pm	24pm	Ind. Fin. & Inv. Corp.	30pm	—
215	Nil	24/10	5pm	2pm	New Court Nat.Res. 5p	2pm	—
140	Nil	—	15pm	15pm	Tilbury Group	15pm	—
250	Nil	24/10	49pm	43pm	Tiphook 10p	49pm	—
60	Nil	21/11	13pm	10pm	United Spring 10p	10pm	−1
60	Nil	—	11	10	Western Selection 20p	10	—

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma Figures t Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖‖ Introduction. ** Issued by way of capitalisation. § Placing price. ‡‡ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ‖‖‖ Allotment price. ♦ Unlisted securities market. ‡‡ Official London listing. ‡‡ Including warrants entitlement.

FT CROSSWORD PUZZLE No 6,140

VIXEN



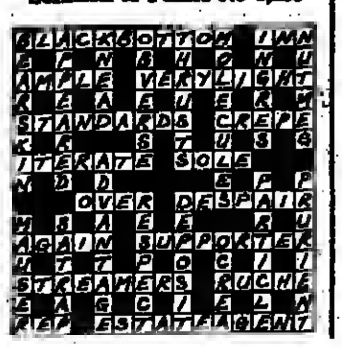
ACROSS

1 Poles—a quarter are quite thin (6)
4 Put a stop to a cheap form of housing (8)
9 Very shabbily dressed, and so treated with derision (6)
10 Involving agents in raising flowering plants (8)
12 Opposing the way a social worker is persistent (8)
13 Situation a girl wanted (6)
15 Article sent back if lacking in subtlety (4)
16 Get together, not for the first time (10)
19 Fighting men dissipating their means (3,7)
20 A note—it's written as an opening (4)
23 Not all backing corkage do badly in a wine bar (6)
25 Hopeful, like sanctimonious trading group (8)
27 Builders putting a point to churchmen (8)
28 Story about a guy not drinking—just idle talk (6)
29 To give insufficient money will upset any prude (8)
30 Game "X" returned to offend (6)

DOWN

1 Arab or Japanese coppers holding a vehicle up (7)
2 Greet in an odd way in a foreign land (9)
3 Case presented by a woman at the end of the month (6)
5 He practises in an outhouse regularly (4)
6 Picked to make the grade (8)
7 The meanest English remain outside (5)
8 Carry on about a good man's loss (7)
11 A cinema presentation, not at all colourful (7)
14 Vilify, because by itself (7)
17 A place with quite dreadful china (9)
18 "As the crackling of thorns under a pot, so is the . . . of a fool." (Ecclesiastes) (8)
19 Put out at a blue picture being shown (7)
21 Private backer in lock manufacture—a cat! (7)
22 Angry words from one in business (6)
24 Pop round about a certain apprehension (5)
26 Live on a range (4)

Solution to Puzzle No 6,139



AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS & INSURANCES

Waverley Asset Management Ltd (a) (c) (g)
13 Charlotte Sq, Edinburgh 031-225 1551

Australasian Gold	22.3	23.8	0.15
Pacific Basin	20.0	21.3	0.2
Canadian Balanced Growth	57.6	61.6	0.98
Commodity	102.0	106.2	7.1

WestAven Unit Trust Managers Ltd(a)(c)
9 Portland Square, Bristol BS2 8SS 0272 428431

British Smllr Co's Inc	54.2	57.8	-0.3	1.5
British Growth Inc	64.6	66.4	+0.6	2.5
British Income Inc	63.0	64.8	-2.2	4.75
British Extra Yield(z)	49.5	50.9	+0.4	7.0

Whittingdale Unit Trust Managers
2 Honey Lane, London EC2V 8BT 01-606 9085/6

Short Dtd Gilt Fd	67.7	68.8	+0.1	—
U.S. Govmt Bond Fd	50.511	0.512	-0.001	—

Windsor Trust Mngrs Ltd
83 Kingsway, London, WC2B 6SD 01-405 8331

Capital & Equity Tst	47.7	50.8	-0.1	7.75
Growth Trust	50.9	54.2	+0.2	2.38
Income Trust	53.0	56.4	+0.4	5.15

Wright Seligman Fund Managers Ltd
11 Blomfield St, London EC2M 7AY 01-588 0992

Growth Fund	66.8	70.3	—	2.90

Weekly dealing day Tuesday

The Yorkshire General Trust
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250

Y.G.T.	124.8	132.8	+0.3	3.26

City of Edinburgh Life Assurance
46 Charlotte Sq, Edinburgh EH2 4HQ 031-225 1465

Ivory & Sime Bond	101.0	109.0	
Risk & Reward Bond	121.0	130.0	
Murray Johnstone Fd	123.0	130.0	
Money Market Fd	107.0	111.0	+3.0
Ivory & Sime Pen Fd	105.0	111.0	
Risk & Reward Pen Fd	105.0	111.0	
Murray J'stone Pen Fd	120.8	127.0	+2.0
Money Market Pen Fd	104.0	110.0	

City of Westminster Assurance
Sentry House, 500 Avebury Boulevard, Cent Milton Keynes MK9 2NU Tel: 0908 690888

Current Series				
Property Fund	115.7	121.8	—	—
Money Fund	223.0	[illegible]	[illegible]	—
Managed Fund	399.6	[illegible]	[illegible]	—
Equity Fund	246.4	[illegible]	[illegible]	—
Fixed Interest Fund	139.2	[illegible]	[illegible]	—
Far East Fund	270.8	[illegible]	[illegible]	—
North American Fund	165.4	[illegible]	[illegible]	—
Natural Resources Fund	139.8	[illegible]	[illegible]	—
Pension Managed Fund	370.2	[illegible]	[illegible]	—
Pension Equity Fund	233.5	[illegible]	[illegible]	—
Adventurous Mngd Fd	113.5	[illegible]	[illegible]	—
Balanced Mngd Fd	110.1	[illegible]	[illegible]	—
Conservative Mngd Fd	106.5	[illegible]	[illegible]	—
European Fund	105.9	[illegible]	[illegible]	—
International Fund	115.6	[illegible]	[illegible]	—
S.U.N. Flagship Fd	136.3	[illegible]	+1.3	—

For other prices please telephone [illegible]

Clerical Medical/Fidelity International
Narrow Plain, Bristol BS2 0JH 0272 290566

Investment Funds				
Mixed	131.3	138.5	+0.8	—
Equity	148.0	155.8	+2.4	—
Property	109.2	115.0	—	—
Gilt & Fixed Interest	107.6	113.3	+1.6	—
Indexed Securities	98.6	103.8	+0.1	—
Cash	107.7	113.4	—	—
North American	106.7	112.4	+1.7	—
Far East	132.4	139.4	-1.9	—
International	124.9	131.5	+0.1	—
Special Situations	143.4	151.0	-0.9	—
International Income	139.0	146.4	+1.1	—
American Income	116.8	123.0	+1.5	—
European	147.1	154.9	-1.8	—
Flexible Retirement Plan				
Mixed	134.8	141.9	+0.3	—
Equity	141.2	148.7	+0.7	—
Property	114.6	120.7	—	—
Gilt & Fixed Interest	113.2	119.2	+1.2	—
Indexed Linked	100.5	105.8	+0.2	—
Cash	115.8	121.9	+0.1	—
North American	111.2	117.1	+2.5	—
Far East	149.8	157.7	-3.0	—
International	132.4	139.4	+0.1	—
Special Situations	161.5	170.1	-0.4	—

INSURANCES

AA Friendly Society
(Investment Mngt M & G Inv Mngt Ltd)
PO Box 93 Cardiff CF1 4WW 0222 35542

AA Friendly Sy Aug 12	—	105.9	—	—

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

Prop. Ser. 1	206.6	217.5	—	—
Equity Ser. 1	98.5	103.7	+0.4	—
Pens. Acc. Ser 2	278.1	292.8	—	—
Equity Ser 2	107.1	112.8	+0.8	—
Selective Acc.	231.8	244.0	+1.2	—
Prop. Ser. 4	219.6	231.2	—	—
Equity Ser. 4	110.7	116.6	+0.6	—
Fixed Int. Ser. 4	176.1	185.4	+1.2	—
Indexed Inv. Ser. 4	110.6	116.5	+1.3	—
American Ser. 4	251.5	264.8	+0.4	—
High Inc. Ser. 4	280.9	295.7	+1.5	—
Japan Ser. 4	242.0	254.8	-4.9	—

INSURANCE, OVERSEAS & MONEY FUNDS

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

Money Market Trust Funds

Money Market Bank Accounts

NOTES

TRADITIONAL OPTIONS

3-month call rates

COMMODITIES AND AGRICULTURE

Bank to sell Johnson Matthey metals traders

BY STEFAN WAGSTYL

THE Bank of England yesterday put up for sale two metals trading subsidiaries of the former Johnson Matthey Bankers group, which it rescued nearly two years ago.

Johnson Matthey Commodities Ltd, a ring-dealing (full) member of the London Metal Exchange, and Johnson Matthey Commodities Incorporated, which is based in New York and specialises in platinum, could together fetch about £20m.

The two companies are all that the Bank of England still owns of JMB—recently renamed Minories Finance—except for the rump of JMB's commercial loan book. Most of JMB's banking and bullion business went to Westpac of Australia in April.

Minories Finance said yesterday that it had asked Baring Brothers, the merchant bank which has handled previous JMB sales, to sell the two metal trading companies.

Mr Charles Irby, a Baring director, said about a dozen possible purchasers including a number of mining, trading and metal fabricating companies—had previously contacted the bank. The two Johnson Matthey companies could be sold separately, although the bank would prefer to sell them together.

Mr Irby said the recent performance of both metals companies had been depressed by the recession in metals trading, the indirect impact of the tin crisis and their association with the Johnson Matthey Bankers affair. But the companies could benefit from a dynamic new owner.

Johnson Matthey Commodities Ltd made a profit of about £100,000 pre-tax in the year to the end of June, compared with £1.58m pre-tax in the year to the end of March 1984, the last period before the parent company ran into trouble. The company has shareholders' funds of £9.1m and employs 43 people, in both the futures market and in physical trading.

With a bullion bank as a parent it was one of the larger companies involved in the LME silver market, but this has declined in importance as investor interest in the metal has faded.

Johnson Matthey Commodities Incorporated, with a net worth of $14.5m (£10m) employs a handful of people mainly trading platinum. It is a member of the New York Mercantile Exchange.

The London Metal Exchange will be hoping that the purchaser of Johnson Matthey Commodities will bring some new life into the market. The exchange was recently lifted by the news that Amari, Britain's largest independent aluminium and stainless steel stockholder, was set to buy the business of Boustead Davis, the metal trading arm of Boustead, the trading company. But the market's strength and liquidity have been sapped by the departure of seven out of 28 ring-dealing members in the past 18 months, many of them prompted by the tin crisis.

Philippines exchange 'hopes to open soon'

THE MANILA International Futures Exchange hopes to start trading sugar and soyabean contracts soon and eventually to trade coconut oil, rubber, coffee, copper and peso/dollar futures, Mr Uisden McInnes, president of the exchange management company said, reports Reuter.

He said the market had already established a trading floor in the Makati business district of Manila and will open when the Government's Securities and Exchange Commission, SEC, approved membership reaches 20.

The SEC has already approved 13 members, another application has been submitted and six more are pending, he added.

Rubber prices forecast to remain strong

BY WONG SULONG IN KUALA LUMPUR

THE MALAYSIAN Rubber Exchange expects natural rubber prices to remain strong until the end of the year in spite of the recent devaluation of the Indonesian Rupiah.

In its latest market report it says the devaluation "might dampen sentiment slightly" but forecasts that the dampening effect is likely to be "mild and short" in view of strong underlying fundamentals.

The five-day moving average price calculated by the International Natural Rubber Organisation (Inro) is 200.64 Malaysian-Singapore cents a kilo, well above the May buy level of 171 cents, while the price of RSS No. 1 rubber on the Kuala Lumpur Commodities Exchange is 227.5 cents a kilo. Both these prices are 30-month highs.

The Malaysian Rubber Exchange report said the repeated requests for shipment delays by Thai and Indonesian rubber exporters, and the substantial interest shown by major consumers on forward markets confirmed the seriousness of the shortage.

Malaysian rubber production for the first half of this year fell by 1.9 per cent to 696,202 tonnes. Exports during the same period increased slightly to 741,420 tonnes.

The report said stock levels in consuming countries were at their lowest for many years, and although consumers showed no hurry to buy in August because of the summer holidays, they are now expected to return

Traders call for grain output tax

BY JOHN BUCKLEY

THE UK Grain and Feed Trade Association (Gafta) representing merchants, brokers, shippers and animal feed manufacturers, has thrown its weight behind a European grain producer tax to control surpluses and finance disposals.

Pointing to possible revenue of Ecu 3.5bn over the next five years Gafta suggests applying the existing Ecu 5.38 per tonne co-responsibility levy (which is currently paid and collected only by certain processor sectors), to all farmers without *favour on a Community-wide* 113m tonne base (allowing for seed, waste and residual losses from a normal crop).

The Association says its scheme would accrue Ecu 1.3bn to cover the Commission's obligations to protect small producers and provide Ecu 2.17bn to finance export disposal and other funding of present surpluses. In contrast the co-responsibility tax, collected only on certain off-farm outlets will yield no more than Ecu 450m over the next five years, Gafta claims.

Gafta says a producer tax will effectively lower prices and fulfil the Commission's aim to signal to farmers the market environment in which they are producing surpluses. It will also cut out the documentation now required in grain contracts to enable the tax to be traced back from processor to grower down a so-called "string" of multiple trades. "It will also lift the burden of discriminatory costs off (animal feed) compounders, helping rather than—as the co-responsibility tax does—hindering consumption," said a Gafta official.

Gafta is vigorously opposed to other means of surplus control, including a British proposal for US-style set-asides which it says would require field rotation that would be impossible to police. Quotas on production meanwhile would freeze the market's ability to respond to domestic or export demand and would end entrepreneurial trade of benefit to farmer and processor alike, Gafta says.

The association says the producer tax should be introduced from July 1987 and a decision taken soon to enable the trade to avoid the muddle that was created when the CR tax was introduced last July. Gafta also urges the trade to forsake the notion that the levy can be *abandoned unilaterally or within* the current season. "We are in the front line of the trade's frustrations but contracts have been struck and considerable quantities of new crop grain sold. Rather than precipitating a new tangle of bureaucracy with quotas or other last-resort mechanisms, we are offering a viable and positive alternative to co-responsibility" Gafta's spokeswoman said.

Australia warns US on sugar trade legislation

By Richard Hubbard in Canberra

THE BELEAGUERED Australian sugar industry is facing the loss of almost its entire exports to the US because of legislation before the American Congress which would change import prices to favour the Philippines, Caribbean countries and Ecuador, according to Mr John Dawkins, the Minister for Trade.

He said yesterday that the Australian Government would launch an action under the General Agreement on Tariffs and Trade (Gatt) against the US if the legislation was enacted, demanding compensation for damages to the sugar industry.

The US was Australia's second largest export market by value for sugar in the last financial year with sugar exports worth A$86m (£37m).

The proposed legislation before the US Congress, which is in the form of an amendment to an anti-drug bill, could mean a drop of 142,000 tonnes to under 10,000 tonnes a year in sugar exports to the US, delivering a severe blow to an already crippled industry.

Australian officials are surprised at the amendment, which appears to favour the three groups of countries because they are developing nations which are co-operating with the US on its anti-drug campaign.

The anti-drug bill, to which the amendment has been attached, eliminates a share of the sugar quota for countries which are not co-operating with the US in stamping out the drug trade.

Mr Dawkins said: "Australia has always believed that the US Government supported the allocation of quota shares on a fair and non-discriminatory basis in accordance with Gatt principles.

● ISRAEL exported polished diamonds worth a record $1.066bn in the first nine months of 1986, the Israel Diamond Institute said in a report published yesterday, reports AP Dow Jones from Tel Aviv.

The sales were 19 per cent higher than the 893m dollars for the first nine months of 1985.

The report noted that the diamond industry achieved record September sales of $185m, compared with $117.8m in September 1985.

Mr Moshe Shnitzer, president of the Israel Diamond Exchange, said the sales growth was partly due to the dollar's weakening value, which has benefited buyers from the Far East and Europe.

Mr Shnitzer said large numbers of buyers from Hong Kong had visited Israel in September.

● RIO TINTO Miners, the Spanish associate of Rio Tinto-Zinc, the UK natural resources group, is to resume copper mine production at a reduced level. Mine output was suspended earlier this year when the company announced job cut plans which are still under discussion with trade union leaders and the Spanish Government.

Israel puts its farm know-how on show

BY ANDREW WHITLEY IN TEL AVIV

ISRAEL HAS, by common consent, achieved marvels in building up substantial agricultural production and export industries in defiance of its unpromising terrain and limited water resources. Scope for further growth in farm output has virtually run out now, and with it the possibility of making further significant inroads into produce export markets. But the expertise which enabled the country to transform its farm sector remains a very marketable commodity, and it was this which attracted more than 4,000 visitors to Agritech '86, Israel's triennial showcase for agricultural equipment and farm inputs in Tel Aviv last week.

Exports of agricultural supplies and equipment are already running well ahead of produce sales. Last year exports of farm products earned Israel about $500m while supplies and equipment netted $870m. And the latter figure is forecast to reach $938m this year. Fertilizers and chemicals accounted for half the 1985 total, with irrigation equipment and accessories contributing another $115m.

Deals concluded as a result of last week's trade fair alone could reach between $80m and $90m, according to Mr Rafi Glick, director of the agriculture centre at the state-run Israel Export Institute. And that does not include a $50m irrigation project in Colombia being negotiated by Kibbutz Artze, a left-wing branch of the kibbutz movement.

While Mediterranean and Latin American countries dominated the visitors' list for this year's Agritech, a remarkable number came from countries which do not have diplomatic relations with Israel. Arab purchases of Israeli agricultural equipment are reported to have reached $20m in 1985, and interested buyers flocked to this year's fair.

Hungary was represented in the National exhibitions section by its state-owned veterinary products company, Modimpex. The Budapest company had already done business in Israel, but its participation at Agritech was a new departure.

Media interest prior to the opening had concentrated on the news that a Chinese Government

delegation had arranged to attend. China's trade links with Israel have, very discreetly, been growing rapidly: but the disclosure of the impending visit was too much for the publicity-shy Chinese who angrily cancelled their trip.

Put out Peking may have been, but its pique has not prevented its Institute for Agricultural Research from signing up for the establishment of a model farm in China, to demonstrate the full range of Israeli drip irrigation technology.

"Kibbutzniks" in sandals and shorts were much in evidence at Agritech '86: proudly demonstrating their new orchard harvesters and egg collecting systems, or else the latest in micro-chip technology. Others were simply eyeing their rivals' products enviously.

The fair's organisers like to emphasise the close connection between the farmer and the agricultural equipment designer and manufacturer, a feature the claim is unique to Israel. Showing an increasingly professional approach to marketing the Israel Export Institute this year arranged a series of seminars and half-day tours of working farms in parallel with the exhibition itself.

The most notable absentees were the Americans and the British. However, taking the battle to the enemy, the Israel export institute recently set up a permanent exhibition of Israeli irrigation technology in Fresno, California.

The Government is trying hard, however, to cajole Israeli companies away from the small-scale ventures abroad they have traditionally tackled, into joint ventures with multinationals. This is seen as the only feasible way Israel can, for instance, make a dent in the potentially huge Chinese market for sophisticated irrigation technology and equipment.

The small size and limited resources of the kibbutzim responsible for most Israeli agricultural equipment and their lack of marketing knowledge are the most serious obstacles facing the industry.

"It is very difficult to motivate them," sighed Mr Glick, referring to many of the 175 Israeli participants in the show. In contrast with the socialist approach to agriculture traditionally adopted in Israel, the agriculture centre director takes a breezy, laissez-faire approach. "The marketing people must take the reins now. This will be the big change in future," he insisted.

The heavy cost to most Israeli communes of participation in Agritech, and their own product design limitations, are what have kept the fair as a triennial event — rather than the biennial occasion buyers say they would favour.

With agricultural production no longer growing in Israel there has been a steady shift towards the export of services and increasingly sophisticated equipment. One in three of the products on display at Agritech '86 contained a microprocessor. Irrigation equipment is still responsible for over half the turnover of Israeli farm machinery, but the new products are a long way from the original, gravity-fed drip systems. High clearance spraying machines, releasing carefully controlled doses of fertilizers and herbicides along with the water, are replacing aerial crop dusting while dairy farms in the arid Jordan valley claim they have taken computerisation further than any other producers — achieving impressive improvements in milk yields.

LONDON MARKETS

THIS WEEK'S heavy sell-off in the coffee futures market continued unabated yesterday when a £135 fall in the November position took the decline on the week so far to £276.50 a tonne. Technically based selling by big investment funds is reported to have dominated trading this week although many traders have been insisting that fundamental supply/demand factors remain bullish. There was talk in the market that some of yesterday's selling came from a producer, most probably Brazil, which was trying to clear the funds out of the market so that fundamentals could reassert themselves. On the London Metal Exchange copper values steadied somewhat in the late afternoon but still ended lower on the day. The cash Grade A position closed with a loss of £7.75 at £922.75 a tonne. In the absence of any significant buying the LME copper market took its lead from New York, where some fairly aggressive liquidation was reported.

LME prices supplied by Amalgamated Metal Trading.

REUTERS INDICES

Oct. 1	Sept 30	M'th ago	Year ago
1697.0	1644.4	1464.3	1704.6

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Sept 30	Sept 29	M'th ago	Year ago
Spot	124.07	123.11	—	113.04
Fut	134.14	134.26	—	116.03

(Base: December 31 1931=100)

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	Oct. 1 1986	+ or −	Month ago
METALS			
Aluminium	[illegible]		
Copper Cash Grade A	[illegible]		
Gold troy oz	[illegible]		
Lead Cash	[illegible]		
Nickel	[illegible]		
Platinum oz	[illegible]		
Quicksilver	[illegible]		
Silver troy oz	[illegible]		
Tin	[illegible]		
Tungsten	[illegible]		
Wolfram	[illegible]		
Zinc	[illegible]		
OILS			
Coconut (Phil)	[illegible]		
Palm Malayan	[illegible]		
SEEDS			
Copra (Phil)	[illegible]		
Soyabean (U.S.)	[illegible]		
GRAINS			
Barley Fut. Jan.	[illegible]		
Maize	[illegible]		
Wheat Fut. Jan.	[illegible]		
OTHERS			
Cocoa Ft. Mar.	[illegible]		
Coffee Ft. Jan.	[illegible]		
Cotton A Index	[illegible]		
Gas Oil Nov.	[illegible]		
Rubber (kilo)	[illegible]		
Sugar (raw)	[illegible]		
Wooltops 64s	[illegible]		

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	[illegible]		
3 months	[illegible]		

COPPER

Grade A	Unofficial close	+ or −	High/Low
Cash	[illegible]		
3 months	[illegible]		
Standard Cash	[illegible]		
3 months	[illegible]		

LEAD

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	[illegible]		
3 months	[illegible]		

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	[illegible]		
3 months	[illegible]		

TIN

[illegible]

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	[illegible]		
3 months	[illegible]		

GOLD

[illegible]

SILVER

[illegible]

MEAT

[illegible]

COCOA

Futures traded over a £15 range in light volume to close on a quiet note little unchanged to the previous close. Some very light consumer interest was noted but producers continued withdrawn, reports Gill and Duffus.

[illegible]

COFFEE

Mass technical liquidation and trade selling against little industry support pushed prices as much as £200 lower, basis November, reports Drexel Burnham. Stop-loss selling appeared on the opening and continued throughout the day, each sell-order triggered further stops. The little trade and industry support that materialised by late afternoon failed to stem the losses before profit-taking on the close took levels off the lows.

[illegible]

SOYABEAN MEAL

[illegible]

GRAINS

Wheat found sellers with Nov/Jan switching a major feature, but values remained in a narrow range. Barley saw limited trading with strength mainly evident in deferred positions, reports T. G. Roddick.

[illegible]

RUBBER

PHYSICALS — The London market opened easier, drifted lower and closed quiet and steady, reports Lewis and Peat. Closing prices (buyers): Spot 66.00p (67.00p); Nov 64.50p (66.00p); Dec 64.50p (66.00p). The Kuala Lumpur fob price (Malaysian cents a kilo): RSS No 1 220.0 (227.5) and SMR 20 205.0 (206.0).

[illegible]

POTATOES

After a nervous £3.60 rally during early trade the market came under less selling pressure due to speculation that the PMB would comment upon yields, possibly indicating that figures are similar to last year. Although the board did not make any announcement the market fell in the afternoon before recovering towards the close, reports Coley and Harper.

[illegible]

OIL

The volume of crude oil trading has been reduced due to the market trickle in the run-up to the Opec meeting. November WTI opened 3c down and traded 15c up at 1.30 pm. After morning trade within a narrow 20c range the petroleum product prices were stable in quiet markets. Petroleum Argus, London.

[illegible]

GAS OIL FUTURES

[illegible]

SUGAR

LONDON DAILY PRICE—Raw sugar $128.50 (£84.50), up $1.50 (up £1.00) a tonne for October-November delivery. White sugar $175.00, up $2.00.

[illegible]

FREIGHT FUTURES

The market fell sharply in line with weaker Gulf/Continent rates, reports Clarkson Wolff.

[illegible]

JUTE

● The International Jute Council began its three-day meeting in Dacca yesterday to consider how to face a growing challenge from synthetic fibres which has depressed world jute prices.

Delegates at the meeting said the Council, the highest executive body of the International Jute Organisation, will review long-term management, programmes in developing new jute varieties and production and marketing outlook for next year.

Representatives from 21 Organisation member states and 24 observer countries are attending the meeting.

India to halt sugar imports

INDIA will stop importing sugar for four years immediately because domestic production and stocks will meet demand, Mr Dhruv Sawhney, Indian Sugar Mills Association, told the group's annual meeting.

India imported a record 1.75m tonnes of sugar in 1985-86 against 500,000 in 1984-85, he said.

Mr Sawhney said output will rise by at least 1m tonnes to 8m tonnes in 1986-87, 9m in 1987-88, 9.5m in 1988-89 and 10.2m in 1989-90.

● THE 1986 Mauritius sugar crop could be the biggest in 13 years and might exceed the record 718,464 tonnes

US MARKETS

COFFEE FUTURES nose dived on further chart based selling after Tuesday's heavy losses, reports Heinold. The technical action was totally technical with chart near averages crossing on the down side. Technical operators would now be looking for computer generated signals to buy back. Support exists around 190c, basis December, with broad support between 184c and 155c. Speculators who lost out when the market turned bearish on Tuesday probably exaggerated yesterday's fall in an attempt to recoup losses. Roasters continued to hold a plentiful supply of stocks and are expected to wait for the price to fall further before taking their seasonal requirements.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

[illegible]

COCOA 10 tonnes, $/tonne

[illegible]

COFFEE "C" 37,500 lb, cents/lb

[illegible]

COTTON 50,000 lb, cents/lb

[illegible]

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrel

[illegible]

GOLD 100 troy oz, $/troy oz

[illegible]

HEATING OIL 42,000 US gallons, cents/US gallon

[illegible]

ORANGE JUICE 15,000 lb, cents/lb

[illegible]

PLATINUM 50 troy oz, $/troy oz

[illegible]

SILVER 5,000 troy oz, cents/troy oz

[illegible]

SUGAR WORLD "11" 112,000 lbs, cents/lb

[illegible]

CHICAGO

LIVE CATTLE 40,000 lbs, cents/lb

[illegible]

LIVE HOGS 30,000 lbs, cents/lb

[illegible]

PORK BELLIES 38,000 lbs, cents/lb

[illegible]

MAIZE 5,000 bu min, cents/56 lb bushel

[illegible]

SOYABEANS 5,000 bu min, cents/60 lb bushel

[illegible]

SOYABEAN OIL 60,000 lbs, cents/lb

[illegible]

SOYABEAN MEAL 100 tons, $/ton

[illegible]

WHEAT 5,000 bu min, cents/60-lb bushel

[illegible]

SPOT PRICES—Chicago loose lard 19.00 (16.00) cents per pound. Handy and Harman silver bullion 557.0 (567.5) cents per troy ounce.

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar and pound weaker

THERE WAS no sign of a recovery in US economic growth from the latest data, and the dollar had a generally weaker tone yesterday. The cut in the August trade deficit, announced Tuesday, was encouraging, but appeared to be the result of lower imports rather than better performance by US exports.

A rise of 1.1 per cent in US construction spending was surprising, but factory goods orders fell by 1.4 per cent, which was within the range of most expectations. Dealers were looking for guidance on the dollar from the address by Mr James Baker, US Treasury Secretary, to the meeting of the International Monetary Fund in Washington, but he said exchange rates should not be the sole instrument of adjustment, and once again urged other countries to boost economic growth.

The dollar fell to DM 2.0215 from DM 2.0270; to FFr 6.62 from FFr 6.6425; to SFr 1.6410 from SFr 1.6460; and to Y154.15 from Y154.35.

On Bank of England figures the exchange rate index fell to 110.1 from 110.2.

STERLING—Trading range against the dollar in 1986 is 1.5595 to 1.3700. August average 1.4870. Exchange rate index fell 0.1 to 68.9, compared with 75.8 six months ago.

Sterling lost a little ground yesterday in nervous trading, as dealers remained uncertain about the ability of the UK authorities to maintain the current value of the currency without a rise in bank base rates. The Bank of England underlined the present level of London interest rates by lending money to the discount houses at 10 per cent, but the market was generally nervous about future events. Ministers from the Organisation of Petroleum Exporting Countries meet on Monday and UK money supply figures will be published on Tuesday. North Sea oil prices were slightly weaker yesterday, amid nervousness about the Opec meeting, while mid-September money supply growth has been forecast to be in the region of 2.5 to 3.0 per cent. The pound fell 20 points to $1.4445-1.4455 and declined to DM 2.92 from DM 2.9325; to FFr 9.5650 from FFr 9.6125; to SFr 2.37 from SFr 2.3825; and to Y222.75 from Y223.35.

D-MARK—Trading range against the dollar in 1986 is 2.4710 to 1.9900. August average 2.0624. Exchange rate index 141.0 against 132.1 six months ago.

The D-Mark was steady against the dollar yesterday. The Bundesbank did not intervene when the US currency was fixed in Frankfurt at DM 2.0275 compared with DM 2.0207. Trading was described as quiet, with dealers reluctant to open positions until the dollar showed a clear direction. Comments by Mr James Baker, US Treasury Secretary, before a meeting of the IMF, came too late to influence Frankfurt trading, and yesterday's US economic data had little impact. There was also no reaction to news that Mr Gerhard Stoltenberg, West German Finance Minister, said that present exchange rates will help reduce the trade imbalances between major industrial countries. The dollar closed at DM 2.0245 compared with DM 2.0265 previously.

JAPANESE YEN—Trading range against the dollar in 1986 is 202.70 to 152.35. August average 154.15. Exchange rate index 216.5 against 196.0 six month ago.

The yen showed little movement against the dollar yesterday in quiet trading. The US currency rose to Y154.25 from Y153.65, but was unchanged from the New York finish. Dealers were waiting for direction from New York, and were undecided about the direction of the dollar after the narrowing of the August US trade deficit.

£ IN NEW YORK

Oct 1	Latest	Previous Close
£ Spot	1.4450-1.4460	1.4430-1.4440
1 month	0.48-0.46 pm	0.58-0.56 pm
3 months	1.52-1.48 pm	1.70-1.67 pm
12 months	5.85-5.75 pm	6.05-5.95 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	Oct. 1	Previous
8.30 am	68.8	68.7
9.00 am	69.0	68.7
10.00 am	68.9	68.7
11.00 am	68.9	68.8
Noon	68.9	69.0
1.00 pm	68.9	69.0
2.00 pm	68.9	68.9
3.00 pm	68.9	69.0
4.00 pm	68.9	69.0

CURRENCY RATES

Oct. 1	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.837628	0.713486
U.S. Dollar	6	1.21121	1.03170
Canadian $	8.63	*	1.43355
Austrian Sch.	4	17.2758	14.7146
Belgian Franc	8	50.9466	43.3417
Danish Kroner	7	9.26818	7.88477
Deutsche Mark	3½	2.45573	2.09022
[illegible]	[illegible]	[illegible]	[illegible]

* CS/SDR rate for Sept 30: 1.69493

CURRENCY MOVEMENTS

[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

OTHER CURRENCIES

[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu October 1	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	43.1139	43.3417	+0.53	+0.90	± 1.5368
Danish Krone	7.81701	7.88477	+0.87	+1.24	± 1.6403
German D-Mark	2.11083	2.09022	−0.98	−0.61	± 1.1127
French Franc	6.87136	6.84430	−0.42	−0.05	± 1.3659
Dutch Guilder	2.37833	2.36146	−0.71	−0.34	± 1.5059
Irish Punt	0.764976	0.762246	−0.36	+0.01	± 1.6683
Italian Lira	1476.95	1444.90	−2.17	−2.06	± 4.0734

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT—FORWARD AGAINST THE POUND

Oct. 1	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4420-1.4470	1.4445-1.4455	0.58-0.56c pm	4.73	1.67-1.65 pm	4.60
Canada	2.0056-2.0103	2.0065-2.0075	0.48-0.38c pm	2.57	1.16-1.01 pm	2.16
Netherlands	3.29½-3.31¼	3.29½-3.30½	1½-1¼c pm	5.00	4½-4¼ pm	5.30
Belgium	60.55-60.99	60.55-60.65	20-15c pm	3.47	54-45 pm	3.27
Denmark	11.01-11.09¾	11.01-11.02	2⅝-⅞ ore pm	1.63	5⅞-3⅞ pm	1.61
Ireland	1.0658-1.0741	1.0665-1.0675	0.04pm-0.08pdis	−0.22	par-0.33 dis	0.62
W. Germany	2.91½-2.93¾	2.91½-2.92½	1⅝-1½pf pm	6.16	4⅝-4¼ pm	6.08
Portugal	212.56-214.37	212.56-214.14	63-125c dis	−5.30	208-360 dis	−5.33
Spain	192.19-193.46	192.19-192.47	27-67c dis	−2.93	59-119 dis	−1.85
Italy	2014¾-2032¼	2020¼-2021¼	Par-4 lire dis	−1.19	1-8 dis	−0.89
Norway	10.65½-10.69¾	10.65½-10.66½	3⅝-3⅞ore dis	−3.94	9⅞-10⅛ dis	−3.71
France	9.55-9.62½	9.56-9.57	2-1½c pm	2.20	6½-5½ pm	2.51
Sweden	9.96-10.01½	9.96-9.97	1⅝-1 ore pm	1.58	4½-3½ pm	1.61
Japan	222⅛-223½	222⅜-223¼	1¼-1y pm	6.06	3⅞-3⅛ pm	5.84
Austria	20.58-20.66	20.58-20.61	9½-8gro pm	5.06	25½-24⅝ pm	4.87
Switzerland	2.36½-2.38¾	2.36½-2.37½	1½-1¼c pm	6.96	4⅛-3¾ pm	6.65

Belgian rate is for convertible francs. Financial franc 61.15-61.25. Six-month forward dollar 3.20-3.15c pm. 12-month 6.15-6.05c pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Oct. 1	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4420-1.4470	1.4445-1.4455	0.58-0.56c pm	4.73	1.67-1.65c pm	4.60
Ireland†	1.3503-1.3560	1.3550-1.3560	0.60-0.45c pm	4.66	1.95-1.55c pm	5.17
Canada	1.3867-1.3898	1.3880-1.3890	0.26-0.29c dis	−2.37	0.89-0.88c dis	−2.46
Netherlands	2.2825-2.2985	2.2830-2.2840	0.15-0.12c pm	0.71	0.44-0.39 pm	0.72
Belgium	41.90-42.35	41.90-42.00	3-5c dis	−1.14	12-16dis	−1.33
Denmark	7.62-7.66½	7.62-7.62½	1.30-2.10ore dis	−2.82	5.50-6.10dis	−3.03
W. Germany	2.0175-2.0310	2.0210-2.0220	0.27-0.24pf pm	1.51	0.79-0.74pm	1.51
Portugal	146½-147	146½-147	100-140c dis	−9.80	325-425c dis	−10.20
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 42.30-42.40.

EURO-CURRENCY INTEREST RATES

[illegible]

Long-term Eurodollars: Two years 6⅝-7⅛ per cent; three years 7⅛-7⅞ per cent; four years 7⅜-8 per cent; five years 7⅞-8⅜ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

FINANCIAL FUTURES

US bond prices firmer

US BOND futures were higher in the London International Financial Futures Exchange yesterday. Statistics on US factory goods orders and construction spending were largely ignored while news that the recent G5 meeting had not come to any firm agreement on interest rate and currency movements tended to inhibit any further rise.

The December price opened at 96-10 and touched a low of 96-08 before demand on short covering boosted values in London to 96-30. When Chicago entered the market later in the day sentiment continued in a bullish vein, triggering further short covering up to a high of 97-03. However there was little sustained interest at this level and sellers soon appeared to take the price back to a closing level of 96-21, still up from Tuesday's close of 95-12.

Three-month Euro-dollar deposits acted in much the same way and after opening at 94.03 for December delivery, initial optimism at breaking through 94.00 failed to attract any follow through demand and after touching 94.06, values were marked down as profit taking developed. An attempt to revive the bullish trend after the start of trading in Chicago met with the same resistance and the price finished at 94.04.

Long gilts opened at 112-10 for December delivery and after touching 112-14, traders saw little reason to maintain these levels and prices fell quite sharply as a result. A lack of retail interest and only a little comfort in sterling's fairly steady trend ensured that the December price fell to a low of 110-11 before coming back to close at 110-31, still down from 111-22 on Tuesday.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Dec.	Mar.	June	Sept.	Puts—Last Dec.	Mar.	June	Sept.
106	5.41	6.55	—	—	0.43	1.63	—	—
108	4.11	5.38	—	—	1.13	2.46	—	—
110	2.60	4.30	—	—	1.62	3.38	—	—
112	1.62	3.33	—	—	3.00	4.41	—	—
114	1.16	2.46	—	—	4.18	5.54	—	—
116	0.48	2.04	—	—	5.50	7.12	—	—
118	0.27	1.34	—	—	9.29	8.42	—	—
120	0.14	1.08	—	—	9.16	10.16	—	—

Estimated volume total, Calls 613 Puts 195
Previous day's open int, Calls 1,0622 Puts 5,704

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Dec.	Mar.	June	Sept	Puts—Last Dec.	Mar	June	Sept
88	8.52	9.01	—	—	0.10	1.17	—	—
90	7.00	7.35	—	—	0.22	1.15	—	—
92	5.22	6.15	—	—	0.44	2.31	—	—
94	3.57	5.04	—	—	1.15	3.20	—	—
96	2.45	4.03	—	—	2.03	4.19	—	—
90	1.49	3.12	—	—	3.07	5.28	—	—
200	1.06	2.30	—	—	4.28	6.46	—	—
102	0.41	1.56	—	—	5.63	8.08	—	—

Estimated volume total, Calls 115, Puts 80
Previous day's open int, Calls 504 Puts 813

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls—Last Oct.	Nov.	Dec.	Mar.	Puts—Last Oct.	Nov.	Dec.	Mar.
1.30	14.45	14.45	14.45	14.45	—	0.05	0.19	1.27
1.35	9.45	9.45	9.45	9.45	—	0.25	0.74	2.55
1.40	4.45	4.78	5.18	6.09	0.10	1.15	2.07	4.54
1.45	0.90	1.90	2.60	3.82	1.60	3.35	4.49	7.27
1.50	0.04	0.60	1.110	2.24	5.74	6.97	7.99	10.69
1.55	—	0.33	0.39	1.24	10.70	11.50	12.28	14.69
1.60	—	0.02	0.11	0.64	15.70	16.39	17.00	19.09

Estimated volume total, Calls 85 Puts 25
Previous day's open int, Calls 2,319 Puts 3,122

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last Oct.	Nov.	Dec.	Mar.	Puts—Last Oct.	Nov.	Dec.	Mar.
1.35	—	—	19.80	18.50	—	—	1.50	2.20
1.40	4.70	5.20	5.55	6.50	0.30	1.35	2.15	4.40
1.45	1.05	2.25	2.80	4.00	1.70	3.55	4.50	7.05
1.50	0.25	0.80	1.25	2.35	5.85	7.10	7.95	10.40
1.55	0.20	0.30	0.55	1.35	10.80	11.40	12.20	14.35
1.60	—	—	0.30	0.80	—	—	16.85	18.70
1.65	—	—	0.70	1.50	—	—	18.70	20.20

Previous day's open int: Calls 2,632, Puts 1,961
Volume: 66

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last Oct.	Nov.	Dec.	Mar.	Puts—Last Oct.	Nov.	Dec.	Mar.
1.30	—	—	14.15	9.35	—	—	0.20	—
1.35	9.20	—	9.15	15.95	—	—	0.60	2.05
1.40	4.30	4.70	5.05	3.60	0.05	1.05	1.85	3.70
1.45	0.60	1.90	2.30	2.00	1.50	3.20	4.25	6.50
1.50	0.05	0.55	0.90	0.95	5.55	6.75	7.65	9.850
1.55	—	0.10	0.30	0.45	10.45	11.15	11.75	13.75
1.60	—	—	0.10	0.13	15.45	15.95	16.45	18.15

Previous day's open int: Calls 37,396 Puts 45,864
Previous day's volume, Calls 1,099 Puts 1,281

LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls—Last Dec.	Mar.	June	Sept.	Puts—Last Dec.	Mar.	June	Sept.
93.00	1.05	1.02	0.92	—	0.01	0.08	0.20	—
93.25	0.82	0.82	0.74	—	0.03	0.13	0.27	—
93.50	0.60	0.63	0.58	—	0.06	0.19	0.36	—
93.75	0.40	0.46	0.44	—	0.11	0.27	0.47	—
94.00	0.24	0.33	0.32	—	0.20	0.39	0.60	—
94.25	0.13	0.21	0228	—	0.34	0.52	0.75	—
94.50	0.06	0.13	—	—	0.52	0.69	—	—

Previous day's open int: Calls 1,329 Puts 1,532
Estimated volume, Calls 75 Puts 10

LONDON

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
Dec.	110-31	112-14	110-11	111-22
March	110-28	112-06	110-24	111-21
June	110-28	—	—	111-21

Est volume 15,295 (18,260)
Previous day's open int. 13,371 (13,681).

[illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Close	High	Low	Prev.
Dec.	96-30	97-09	96-21	96-18
March	96-02	96-13	95-25	95-21
June	95-02	95-11	94-27	94-21
Sept.	94-06	94-13	93-28	93-24
Dec.	93-11	93-18	93-05	92-29
March	92-17	92-17	92-17	92-04
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CERT. DEPOSIT (IMM)
$1m points of 100%

	Close	High	Low	Prev.
Sept.	—	—	—	94.32
Dec.	—	—	—	94.36

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

[illegible]

CURRENCY FUTURES

[illegible]

MONEY RATES

[illegible]

FT LONDON INTERBANK FIXING

[illegible]

LONDON MONEY RATES

[illegible]

MONEY MARKETS

Interest rates lower as pound steadies

UK INTEREST rates were lower yesterday as sterling showed signs of stability. Later in the day the Bank of England offered late help as a fixed rate of 10 per cent which dealers interpreted as a sign of the authorities' determination to maintain the current rate structure. The Bank's help, which is repayable on October 9, spans next week's Opec meeting and release of the next UK money supply figures.

Three-month interbank money was quoted at 10⅝-10½ per cent, down from 10¹³⁄₁₆-10¹¹⁄₁₆ per cent, while one year money eased to 10¾-10⅝ per cent from 10⅞-11⅛ per cent. Overnight money opened at 9½-9¾ per cent and touched a high of 10½ per cent before finishing at 2 per cent.

UK clearing bank base lending rate 10 per cent since May 22

The Bank of England forecast a shortage of around £850m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £856m and Exchequer transactions a further £320m. There was also a rise in the note circulation of £80m. These were partly offset by banks' balances brought forward £200m above target.

The Bank offered an early round of assistance which totalled £251m and comprised purchases of £25m of eligible bank bills in band 1 at 9¾ per cent, £67m in band 2 at 9¹¹⁄₁₆ per cent and £27m in band 3 at 9⅝ per cent. In band 4 it bought £7m of local authority bills and £125m of eligible bank bills all at 9⁹⁄₁₆ per cent.

The forecast was later revised to a shortage of around £900m before taking into account the early help and the Bank gave additional assistance in the morning of £274m through outright purchases of £35m of eligible bank bills in band 1 at 9¾ per cent, £130m in band 2 at 9¹¹⁄₁₆ per cent, £78m in band 3 at 9⅝ per cent and £31m in band 4 at 9⁹⁄₁₆ per cent.

Further help was provided in the afternoon of £294m through outright purchases of £227m of eligible bank bills in band 1 at 9¾ per cent, £40m in band 2 at 9¹¹⁄₁₆ per cent and £27m in band 4 at 9⁹⁄₁₆ per cent. Late help totalled £55m at a pre-set rate of 10 per cent repayable on October 9. Total help was £874m.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Cont.

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INDUSTRIALS—Continued

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

INSURANCES

LEISURE

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

PROPERTY

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

NOTES

... deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	58xd		Fin. 13% 97/02	[illegible]	[illegible]
Craig & Rose £1	£131⁄2		Arnotts	265	
Finlay Pkg. 5p	47xd		CPI Hldgs	43	
Holt (Jos) 25p	[illegible]	+10	Carroll Inds.	113	+2
IoM Stm. £1	75		Dublin Gas	36	
			Hall (R. & H.)	[illegible]	
IRISH			Heiton Hldgs.	29	
Fund 111⁄4% 1988	[illegible]	[illegible]	Irish Ropes	[illegible]	
Nat. 93⁄4% 84/89	[illegible]		Unidare	232	

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(International Edition Page 31)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £875 per annum for each security.

LONDON STOCK EXCHANGE

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Sept 15	Sept 25	Sept 26	Oct 6
Sept 29	Oct 9	Oct 10	Oct 20
Oct 11	Oct 23	Oct 24	Nov 3

*"New-time" dealings may take place from 9.30 am two business days earlier.

Equity leaders progress further but gilt-edged recovery loses momentum

The recovery in UK Government bonds began to falter in lete dealings in London, as sterling faled to sustain the improvemant of the previouo session. Early gaina ware lost at mid-day, and tha finel hour saw lnnger-dated issues showing small irregular changes on overnight positions. The FT Government Securities Index, at 82.83, was 0.06 down.

Stock markets, however, continued to move np sharply, led by e batch of UK multinationals, and heartened by s strong start on Wall Street. The FT-SE 100 Index climbed a further 22.5 to 1,578.3, and the FT Ordinary share index gained 24.7 ponts to 1,251.7.

Gilt-edged securities opened with half-point galns as the market followed through nn sizeable huying orders received late on Tuesday. Mnch of the gain proved to be little more than a mark-up by the market tradars, however, and by mid-morning, prices were no more than a tonch firmer. After that "rigor mortis set in," commented one trading house, and, notwithstanding an opening uptick in New York, London bonds drifted off.

There was no great loss of confidence, however. While still awaiting the ontcome of the latest problems with sterling, gilt-edged dealers bope that the bond market may be estahlishing a new trading range. Volume has picked np from the poor levels of past weeks, and yesterday saw soma fairly good two-way husiness.

The npturn in the equity market again reflected strength in a relatively narrow band of major industrial stocks, some of which will he helped in export markets by any prolonged weakness in sterling. Several hlna chips are now also benefiting from UK buying after a period of significant selling pressure from across the Atlantic.

Glaxo, which has been depressed by US selling after n major US hroker reversed a once favourahle opinion on the stock, continued to recover as institutional buyers picked up the stock. There was snbstantial turnover in Beecham ahead of a major presentation to analysts in London last night. One major US hroker was huying Beecham stock in London, but the UK market was cautious, remembering that several other US bouses hold stock at current levels. With prospects for an early increase in base retes now receding, despite three month interbank retes of 10½, hank shares managed only small gains.

Morgan Grenfell rally

Marchant banks were highlighted by a recovery in Morgan Grenfell which rallied to 403p ahead of Monday's interim results. Mercury International, also a notahle recent casualty, recouped the same amount at 290p, while Hambros continued firmly at 240p, up 4. Guinness Peat hardened a couple of pence to 81p following details of the company's US expansion vis the acquisition of Forstmann-Leff Associates, a leading New York-based investment advisory company. The major clearers extended Tuesday's technical improvemant, but closing gains were modest. Rumours that Lloyds was on the verge of acquiring Canada's seventh largest bank, Continental Bank of Canada, deterred investors although Lloyds edged forward a couple of pence to 414p. Midland added 5 at 539p and NatWest 2 at 514p.

Breweries continued to attract buyers for choice. Guinness, 318p, Bass, 692p, and Allied-Lyons, 308p, all added around 8, the last-mentioned additionally aided by a hullish circular from brokers de Zoete and Bevan.

Redland held the limelight in the Building sector and dropped 33 to 386p following the proposed £181m rights whlah will partly finance the ecquisition of Genstar Stone from lmasco subsidiary Flintkote for $317.5m (£220m).

Other building issues made progress across the board, with BPB well to the fore and finally 11 firmer at 446p. John Mowlem continued their recovery and put on 8 more at 388p, whila Costain edged up 4 to 510p and John Laing n similar amount to 357p. Blue Circle rose 5 to 563p. Brickmakers Ibstock Johnsen ndded 4 to 172p in front of today's interim results. Elsewhere, Arncliffe jumped 11 to 69p amid rumours of imminent hid developments; in previous years the company's interim results were announced at the end of September.

Fosece Minsep's interim results were viewed as disappointing and the shares retreated to 208p hefore staging a good rally and closing n net 5 off at 218p. Amersham hardened 3 to 423p following puhlicity given to a hrokers circular, whila Thurgar Bardex were e share better at 65p on further consideration of the good interim figures announced along with tha £1.89m rights issue on Tnesday. ICI gradually improved to end the day ¼ higher nt £10⅞.

Blacks bid lapses

Camping and leisure concern Blacks halved in price to 2p as Sears allowed its bid to lapse; the offer worth 3.6p per Blacks share was conditional on Sears receiving acceptances in respect of 90 per cent of the eqnity capital. In the event, acceptances totalled only 54.7 per cent. Sears, scheduled to reveal first-half figures next Tuesday, improved 3 to 114p.

Store leaders took Tuesday's rally a stage further. Beots led the way with a gain of 11 at 227p, while Dixons improved 12 to 344p reflecting the confident tenor of the chairman's statement at the annual meeting. Double-figure gains were also recorded by Woolworth, 615p, and Storehouse, 313p. Mail-ordars recovered with Next 7 np at 241p and Freemans 6 higher at 432p. Empire put on e few pence to 186p awaiting today's half-timer. Etam, also acheduled to announce interim figures today, advanced 10 to 250p, while news that City and Westminster Financial now controls just under 27 per cent lifted Bremner 2 more to 66p.

FINANCIAL TIMES STOCK INDICES	Oct. 1	Sept 30	Sept 29	Sept 26	Sept 25	year ago	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs	82.83	82.89	81.75	83.39	83.06	84.06	94.51 (18/4)	80.39 (20/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	90.41	90.18	89.96	90.44	90.68	89.73	97.68 (7/7)	86.55 (23/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1,251.7	1,227.0	1,212.6	1,238.4	1,242.3	1,012.5	1,425.9 (3/4)	1,094.3 (14/1)	1,425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	321.5	319.0	323.8	328.3	336.2	291.4	357.8 (22/9)	185.7 (18/7)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.43	4.52	4.56	4.46	4.45	4.58				
Earnings Yld.% (full)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]				
P/E Ratio (net) (*)	12.06	11.83	11.71	11.95	11.98	11.03				
Total Bargains (Est.)	22,147	20,720	21,631	21,638	20,860	21,299				
Equity Turnover £m.	—	663.64	552.41	746.28	527.31	426.91				
Equity Bargains	—	18,307	16,903	22,839	18,003	18,120				
Shares Traded (ml).	—	281.4	252.6	348.0	241.7	211.8				

S.E. ACTIVITY Indices	Sept. 30	Sept. 29
Gilt Edged Bargains	156.4	153.3
Equity Bargains	118.6	109.5
Equity Value	1341.4	1116.6
5-Day Average		
Gilt Edged Bargains	130.1	124.2
Equity Bargains	120.7	124.6
Equity Value	1203.5	1147.6

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
—	1236.5	1237.9	1238.3	1239.1	1241.2	1243.4	1248.2

Day's High 1251.7. Day's Low 1236.5.

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=11.58.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

Ratners encountered late demand and closed 8 higher at 211p, whila fresh speculative attention was directed towards Martin Ford, 4 up at 64p, and S & U Stores, another 2 better at 49p.

Plessey featured leading Electricals with e fresh gain of 12 to 180p; investors reportedly paid belnted heed to recent comment on the company's System X discussions with GEC, 4 higher et 170p. Thorn EMI revived 8 to 459p. Elsewhere, excellent annual profits from Alan Sugar's Amstrad hed elready been discounted hut the leap in preliminary pre-tax profits to over £75m, from £20m last year, raised the shares to 138p before a setback to 132p and an unaltered close of 136p. Stone International reflected takeover speculation with a rise of 8 to 170p, while revived speculative demand in a restricted market lifted Applied Holographics 30 to 248p. Process Systems ndded 7 at 23p and Microgen put on 10 at 377p. Bennett and Fountain chespened a penny to 24½p nn tha proposed rights issue accompanying tha results.

GKN moved up 5 further to 256p and Hawker rallied 8 to 441p. Elsewhere in Engineerings, Hopkinsons reflected hopes of e hid from Howden and closed 9 higher nt 185p, while Hall also nttracted support on takeover possihilities and ended 14 to the good nt 208p. Molins, a firm market on Tuesday in response to reports that the group hnd entered into a llcensing agreement with General Motors, received an additional hoost by the announcemant that Mr Ron Brierley's IEP Securities hold over 7m shares in the company, and the close was 9 higher at 185p. Speculative buying lifted Booth Industries 7 to 93p and Meggitt the same amount to 123p.

Food issues continna to lag behind and only Tesco made any appreciable headway, closing 5 dearer et 390p. Cadbury-Schweppes were unmoved hy news that tha group intended to reduce its shareholding in its South African subsidiary from 64.4 per cent to 53.1 per cent. This is to be affected by Cadbury-Schweppes (SA) purchasing Bromor Foods for R22.3m, raising the necessary funds vin a private plecing of 1.115m shares at R20 each with Anglovaal. The latter will then hold n 17.8 per cent stake. Albert Fisher rose 8 to 185p following the acquisition of Tevilla group, e privately-owned Florida-based fruit and vegetable, wholesaling and distribution concern. Despite the interim profits recovery and proposed consolidation of the shares from 1p to 10p units, Barker and Dobson eased ¼ to 14½p. Further "call" option activity helped J. E. England gain 7 more to 57p.

Trusthouse Forte took over in Hotels, rising 7 to 157p, while Grand Metropolitan could only maintain the overnight level of 418p.

Beecham advance

Miscellaneous industrial leaders took Tuesday's technical recovery a suhstantial stage furthar with persistent US support producing a gain of 23 to 411p in Beecham and a rise of 35 to 965p in Glaxo. Hanson Trust closed 5 up at 187p following news that the company had received approval for its ADR listing in New York, whila British Aerospace ndvanced 21 to 461p on hopes that it will be a major heneficiary of a 100 Airbus A-320 short range 150-seat aircraft order currently being negotiated between Airbus Industrie and NorthWest Airlines of the US. Elsewhere, Polymark rosa 3½ more to 20p on further consideration of the strong half-year profits recovery, while Booker reflected revived speculative support with n rise of 10 at 323p. Pentland Industries firmed 10 to 455p on expansion hopes for its US Reebok subsidiary and hid chatter lifted Sandhurst Marketing 8 to 80p. News that Mr Tony Cole had increased his stake in the company to over 9 per cent left Bestwood 5 dearer at 455p. The recently volatile NMW Computers held firm nt 270p awniting today's intarim figures.

Jaguar advanced 17 to 523p amid thoughts that sterling's recent fall against the D-Mark could prove beneficial to tha company. Similar sentiments prevailed in Lucas, 10 up nt 498p, and Dowty, 4 to the good at 196p. Among Distributors, BSG International tonched 51p following the interim results hut settled only n fraction firmer on balance et 49p.

The battle for control of printers McCorquodale took another turn as Mr Robert Maxwell announced tha purchase of 3m shares, representing around 5.9 per cent of the equity. Last week, Norton Opax unveiled revised terms for McCorquodale having received Monopolies Commissinn clearance to resnme its offensive. The new offer was qulckly rejected hy McCorqnodala and Extel were reportedly prepared to ect as a "white knight," although the latter has yet to declare its hand. McCorqnodala advanced 10 to 286, while Norton Opax and Extel were both unchanged at 136p end 345p respectively.

Advertising and associated counters remained lively. Davidson Pearce hardened 5 to 150p as Wood Mackenzia issued a "buy" recommendation in the wake of the interim figures. Lenden and Continental Advertising attracted fresh speculative demand and improved 9 more to 95p, but Charles Barker remained friendless and dipped 3 to 115p.

A firm Property sector was featured by speculative inquiries for several smaller groups. Persistent demand raised Control Securities 2 to 17p, while Gilbert House rose 3 to 17p; Letts Green Estate, which is owned by family interests of T. F. Parrett, the chairman of Gilbert House, made an offer in August to acquire the shares not already owned at 15p per share cash, or £1 nominal of 8 per cent loan stock for every five GH shares. Ahead of today's annual meeting, Parkdale revived with a rise of 5 to 76p. Against the trend, Estates and General reacted 7 to 113p.

Amalgamated Financial Investments hardened 3 more for a two-day advance of 9 to 42p, still reflecting revived speculation of a full-scale hid from HDFI, the Australian investment banking group. Elsewhere in otherwise subdued Financials, USM-quoted York and Equity returned to favour with a gain of 5 to 59p following option business. Abingworth eased the turn to 210p after the preliminary figures.

Oils advance

The leading oils shrugged off a decline in crude prices—triggered by the letest American stocks data which ahowed a build np of cruda oil stocks—and mada further good progress helped by renewed arhitrage huying. BP moved np 10 more to 676p and Shell 7 to 913p. Ultramar were nctively traded and jumped 10 to 158p following news that New Zealand's Rainbow Corporation and Equiticorp speak for 4.9 per cent of Ultramar's issued capital and have formed a joint venture to "pursne further investment in Ultramar;" IEP Securities, Ron Brierley's UK investment group, recently upped its stake in Ultramar to 13.2 per cent. IC Gas, e strong market in recent months amid widespread hid speculation, slipped 3 to 503p. Burmah attracted US support and edged np 4 to 359p while Britoil improved 3 to 123p, as did Lasmo, 118p.

In secondary oils, Conroy Petroleum and Natural Resources jumped 7 more to e 1986 high of 185p as persistent Irish huying accompanied rumours of an imminent drilling report from the company's operetions in tha Irish Republic. Ambrit International (formerly Steaua Romana) hardened a penny to a year's best of 20p.

Grand Central returned to favour among Plantations, rising 8 to 78p; the shares attracted substantial demand during August following an investment recommendation.

Interest in mining markets remained at a low level hut a slightly firmer trend in precious metals ancouraged a modest rally in South African gold and related issues after six days of continuous falls.

Bullion hald around $425 for mnch of the session prior to closing a net 62.5 cents off et $423, while Platinum edged up to $553 during the afternoon.

Gold shares inched higher during the early part of the day, reflecting modest buying interest from Johannesburg and a number of European trading centres, but turned easier towards the close. Nevertheless, the Gold Mines index posted a 2.5 gain at 321.5. Of the leading Golds "Amgold" showed a ½ rise at £51⅞ and Winkelhaak added ¾ et £12¾, but the majority were either unchanged or around ¼ firmer over the day. In the cheaper-priced stocks, improvements of around 10 were common to Kinross, 492p, Durban Deep, 791p and Ergo, 345p. Unisel put on 19 to 519p.

A rally in Sydney and Melbourne markets overnight coupled with the firmer trend in bullion encouraged support for Central Norseman Gold, 15 higher at 663p, and Gold Mines for Kalgoorlie, 30 better at 628p. Whim Creek edged up 5 to 175p and Poseidon 4 to 167p. Among the second-liners, Brunswick remained a strong market and put on 4 more to a year's best of 56p. Carr Boyd were a similar amount firmer at 49p. Greenwich Resources, currently developing the Gebeit gold mine in the Sudan, attracted support and moved up 12 to e record 130p.

Traded Options

Traded Options began the month in lively mood with dealers reporting interest throughout the list. Boots were partiaularly active with 1,677 calls and 1,279 puts struck, reflecting the strength of the underlying share price. Hanson Trust attracted 1,380 calls. Total contracts transacted yesterday amounted to 22,224, comprising 14,663 calls and 7,561 puts.

Traditional Options

- First Dealings Sept 22 Oct 6 Oct 20
- Last Dealings Oct 3 Oct 17 Oct 31
- Last Declaration Dec 18 Jan 8 Jan 22
- For Settlement Dec 29 Jan 19 Feb 2

For rate indications see end of Unit Trust Service

Stocks favoured for the call included Tricentrol, Mitchell Cotts, Amstrad, TV-am, Freshbake, York and Equity Trust, Bryant, NMC, J. E. England, Clegga, CASE, Amalgamated Financial Investment, Great Victoria, North Kalgurli, DSC, Peek, Johnson and Firth Brown, STC, Abaco Investments and Sound Diffusion. No puts were reported, but doubles were transacted in York and Equity, and Amstrad.

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price	Day's change	Stock	Closing price	Day's change
Amstrad	136	+9	Glaxo	965	+35
Applied H'graphics	248	+30	Marks & Spencer	197	+5
BPB Inds	446	+11	Next	241	+7
Beecham	411	+23	[illegible]	[illegible]	[illegible]
Boots	227	+11	Redland	386	−33
Dixons Group	344	+12	Sears	114	+3

TUESDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Tue's close	Day's change	Stock	No. of changes	Tue's close	Day's change
Glaxo	21	930	+15	Shell Trans.	13	900	+8
ICI	20	£10⅝	[illegible]	BTR	13	288	+5
GKN	19	251	+13	Marks & Spencer	13	192	+5
Beecham	16	388	+7	Woolworth	13	600	+5
Br. Aerospace	14	440	+9	Barclays	12	460	[illegible]
NEI	14	80	[illegible]	GEC	12	166	+6

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	73	6	19
Corporations, Dom. and Foreign Bonds	[illegible]	[illegible]	[illegible]
Industrials	422	225	875
Financial & Properties	151	78	347
Oils	36	16	60
Plantations	1	0	7
Mines	69	31	85
Others	87	54	51
Totals	867	421	1,495

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (57)

[illegible]

NEW LOWS (25)

[illegible]

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Wednesday October 1 1986

[illegible]

FIXED INTEREST

[illegible]

LONDON TRADED OPTIONS

[illegible]

October 1. Total Contracts 22,224. Calls 14,663. Puts 7,561.

*Underlying security price.

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS: 24,899

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

[illegible]

WORLD STOCK MARKETS

AUSTRIA

Oct. 1	Price Sch.	+ or —
Credit'nat'lt pp	9,290	.....
Goesser	3,400	—40
Interunfall	13,500	—100
Jungbunzlauer	19,900	+100
Laenderbank	2,280	+20
Perlmooser	632	—3
Steyr Daimler	168	—8
Veitscher Mag	10,200	—60

BELGIUM/LUXEMBOURG

Oct. 1	Price Frs.	+ or —
B.B.L.	3,040	—60
Banq. Gen. Lux	16,500	.....
Banq. Int.A.Lux	16,000	.....
Bekaert	10,000	—400
Ciment CBR	3,760	—30
Cockerill	148	+16
Delhaize	5,160	.....
EBES	4,615	—65
Electrobel	14,925	.....
Fabrique Nat	1,980	—80
GB Inno BM	7,800	.....
GBL (Brux)	3,600	+60
Generale Bank	6,610	—40
Gevaert	6,050	—40
Hoboken	7,550	+10
Intercom	6,600	—20
Kredietbank	16,700	—225
Pan Holding	11,300	.....
Petrofina	9,120	+80
Royale Belge	26,750	+150
Soc. Gen. Belge	3,030	+16
Sofina	11,050	—100
Solvay	7,770	+40
Stanwick Intl	250	.....
Tractionel	6,090	—20
UCB	8,300	+280
Wagons Lits	6,650	+116

DENMARK

Oct. 1	Price Knr %	+ or —
Andelsbanken	326	+6
Baltica Skand	580	—15
Cop Handels'nk	267	+4
D. Sukkerfab	363	.....
Danske Bank	280	+6
De Danske Luft	1,780	.....
East Asiatic	186	.....
Forenede Brygg	1,000	.....
Forenede Damp	186	.....
GNT Hld	360	.....
I.S.S.B.	670	.....
Jyske Bank	495	+6
Novo Inds	224	.....
Privatbanken	260	+6
Provinsbanken	333	+8
Smidth (F.L.) B	299	.....
Sophus Berend	776	—16
Superfos	151	.....

FRANCE

Oct. 1	Price Frs.	+ or —
Emprunt 4½% 1973	1,746	+8
Emprunt 7% 1973	9,221	+1
Accor	444	+4
Air Liquide	752	+11
BIC	608	.....
Bongrain	2,105	+45
Bouygues	1,400	+49
BSN Gervais	4,160	+60
CIT Alcatel	1,916	—16
[illegible]	[illegible]	[illegible]

GERMANY

Oct. 1	Price Dm.	+ or —
AEG	615.5	+10.5
Allianz Vers	2,285	+70
BASF	275	+5
Bayer	300.5	+10.5
Bayer-Hypo	578	+9.5
Bayer-Verein	642	+19
BHF-Bank	502	+4
BMW	580	+16
Brown Boveri	306	+1.5
Commerzbank	321.5	+6
Cont'l Gummi	332	+6
Daimler-Benz	1,272	+30
Degussa	483	+3
D'sche Babcock	205	+14
Deutsche Bank	791	+9.5
Dresdner Bank	410	+9.5
Feld-Muehle Nbl	305.8	+7.2
Henkel	436	.....
Hochtief	1,050	+50
Hoechst	286.9	+7.4
Hoesch werke	159	+3.6
Holzmann (P)	685	+7
Horten	229.5	+8.5
Hussel	587	+12
Karstadt	441	+7
Kaufhof	618	+16
KHD	209	+7.5
Kloeckner	79	+6
Linde	790	+8
Lufthansa	181	.....
MAN	230	+8
Mannesmann	170	+4
Mercedes Hld	1,153	+35
Metallgesell	345	+10
Muench Rueck	2,450	+70
Nixdorf	710	+10
Porsche	998	—7
Preussag	218.5	+3
Rhein West Elect	204	+3.9
Rosenthal	590	+10
Schering	617.5	+16.5
Siemens	699.5	+27.5
Thyssen	149.5	+6
Varta	336	+1
Veba	292.7	+1.7
V.E.W.	153	.....
Verein-West	476	.....
Volkswagen	486.6	+17.1

ITALY

Oct. 1	Price Lire	+ or —
Banco Com'le	23,950	.....
Bastogi-IRBS	679	+1
Centrale	3,670	.....
C.I.R.	8,000	.....
Credito Italiano	3,420	+19
Fiat	16,000	+200
Generali Assicur	118,000	+1100
Italcementi	79,300	—690
La Rinascente	1,080	—16
Montedison	3,450	—50
Olivetti	16,600	+201
Pirelli Co.	7,380	—15
Pirelli Spa	5,088	+88
Saipem	4,799	—31
Snia BPD	5,020	+20
Toro Assic	33,300	+100

NETHERLANDS

Oct. 1	Price Fls	+ or —
ACF Holding	59.5xc	—0.5
AEGON	93.7	+1.7
Ahold	95	+2
AKZO	147.8xr	+2.2
[illegible]	[illegible]	[illegible]

NORWAY

Oct. 1	Price Kroner	+ or —
Bergens Bank	169	.....
Borregaard	355	.....
Christiania Bank	194.5	—0.5
DenNorske Cred	172.5	+3.5
Elkem	116	+0.5
Kosmos	147.5	.....
Kvaerner	156	.....
Norcem	110.5	+0.5
Norsk Data	215	+6.5
Norsk Hydro	161	+6
Storebrand	296	+1

SPAIN

Oct. 1	Price Pts %	+ or —
Bco Bilbao	1,160	—30
Bco Central	848	+10
Bco Exterior	412	—3
Bco Hispano	469	—1
Bco Popular	1,299	.....
Bco Santander	830	—16
Bco Vizcaya	1,520	+10
Dragados	380	+2
Hidrola	125.7	+2
Iberduero	175.2	+6
Petroleos	372	+2.5
Telefonica	188.7	+4.7

SWEDEN

Oct. 1	Price Kroner	+ or —
AGA	182	+6
Alfa-Laval B	316	—1
ASEA (Free)	341	+1
Astra (Free)	495xc	.....
Atlas Copco	220	+4
Beijer A B	175	.....
Cardo (Free)	306	.....
Cellulosa	268	+1
Electrolux B	299	+6
Ericsson B	232	+2
Esselte	127xc	+1
Mo och Domsjo	266	.....
Pharmacia	169	+2
Saab Scania Free	690	.....
Sandvik	152	+2
Skandia	600	.....
SKF	338	+4
StoraKopparbrg	312	.....
Swedish Match	418	+3
Volvo B (Free)	367	+6

SWITZERLAND

Oct. 1	Price Frs.	+ or —
Adia Intl	7,475	+125
Alusuisse	590	—30
Bank Leu	3,600	—50
Brown Boveri	1,560	.....
Ciba Geigy	3,475	+25
do. (Part Certs)	2,560	+60
Credit Suisse	3,625	+15
Elektrowatt	3,425	+25
Fischer (Geo)	1,215	+15
Hoff-Roche PtCts	107,875	+200
Hoff-Roche 1/10	10,875	+250
Jacobs Suchard	7,900	+80
Jelmoli	3,590	.....
Landis & Gyr	1,810	+10
Nestle	8,450	+150
Oer-Buehrle	1,560	+30
Pirelli	464	+6
Sandoz (Br)	11,400	+400
Sandoz (Pt Cts)	1,690	+30
Schindler (Pt Cts)	580	.....
Sika	1,580	[illegible]
[illegible]	[illegible]	[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

JAPAN

[illegible]

JAPAN (continued)

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

CANADA

TORONTO

Closing prices October 1

[illegible]

MONTREAL

Closing prices October 1

[illegible]

Total Sales 4,432,507 shares

Indices

NEW YORK

[illegible]

NEW YORK ACTIVE STOCKS

[illegible]

TORONTO	Oct 1	Sept 30	Sept 29	Sept 25	1986 High	1986 Low
Metals & Minls	2,100.[illegible]	1,2[illegible]	2,132.3[illegible]	2,150.[illegible]	2,442.85 (21/3)	1,817.8 (5/8)
Composite	2,[illegible]	2,1[illegible]	2,[illegible]	2,[illegible]	3,129.11 (18/4)	2,754.9 (17/2)
MONTREAL Portfolio	1,[illegible]	1,[illegible]	1,[illegible]	1,581.72	1,623.38 (18/4)	1,388.5 (22/1)

* Indicates pre-close figure

[illegible]

LONDON

Chief price changes (in pence unless otherwise indicated)

RISES		
Tr 3½% 1989	£87⅝ +	⅝
Tr 2½ IL '20	£92¼ +	⅜
Allied-Lyons	308 +	8
Applied Hol	248 +	30
Beecham	411 +	23
Booth Inds.	93 +	7
Boots	227 +	11
British Aero	461 +	21
BP	678 +	10
Conroy Pet	185 +	7
Dixons Group	344 +	12
England (JE)	57 +	7
Etam	250 +	10
Fisher (A)	185 +	8
Glaxo	965 +	35
Grand Cen Invs.	76 +	8
Hall Eng.	208 +	14
Hanson Trust	187 +	5
Helical Bar	283 +	13
Hopkinsons	288 +	9
Jaguar	523 +	17
LCA Hlgs	95 +	9
McCorquodale	286 +	10
Molins	185 +	9
Plessey	180 +	12
Polymark Int	20 +	3½
Sandhurst Mkt	80 +	8
Stone Intl	170 +	6
Ultramar	158 +	10
FALLS		
Redland	386 —	33

OVER-THE-COUNTER

Nasdaq national market, closing prices

Continued from Page 41

[illegible]

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25½	13¾	AAR s	.44	2.6	17	235	22¾	22	22½	+⅞
60	21¾	ADT	.92	3.7		164	25¼	24⅞	24⅞	+⅛
33	11⅛	AFG s	.08	.3	15	271	27	26½	27	
25⅞	13¾	AGS			15	30	18¾	18¼	18¼	−⅜
60⅜	37½	AMR			12	11068	58⅛	57⅞	58⅞	+2⅛
27½	23¼	ANR pf 2.67		9.8		15	27¼	26¾	27¼	+1
24	18¼	ANR pf 2.12		9.4		2	22⅝	22⅝	22⅝	
13⅛	9⅜	APL			6	20	13	12⅞	12	+⅛
18¾	16	ARX	.72	6.8	16	42	10¾	10½	10½	−¼
41⅛	28¾	ASA	2a	5.5		435	38¼	37¼	37½	−½
18⅞	9¾	AVX			3.2	85	10¾	10⅛	10⅛	−½
32	22¾	AZP	2.72	9.4	6	1109	29¼	28¾	28⅞	−¼
55	26⅝	AbtLb s	.84	2.0	20	5301	43½	41⅞	43	+1⅛
32	19¾	AccoWd	.56	2.2	17	23	25¾	25½	25¾	+⅛
14⅞	9	AcmeC	.40	2.0		177	10⅜	18¼	18¼	+⅜
6¼	6¼	AcmeE	.32b	4.7	14	8	6¾	6¾	6¾	+⅛
22⅝	17	AdaEx	1.90e	2.4		107	20¼	19¾	20⅝	+⅜
33⅝	17	AdmMl	.40	1.7	16	46	23½	23¼	23⅝	+⅛
20⅝	13	AdvSys	.52	6.3	12	24	13¼	13⅛	13¼	+⅛
32⅞	14⅛	AMD				1644	15⅝	10⅝	15⅝	+⅛
12⅜	5⅜	Adobe n				24	6⅞	6⅞	6⅞	
18⅝	13¾	Adob pf 1.84		12.		16	13¼	15	15	−¼
20¼	15¼	Adob pf 2.40		13.		27	16⅜	16	18	+⅛
18⅝	7⅝	Advest	.12a	.9	10	190	13¼	13	13	
66¾	45¾	AetnLf	2.64	4.6	10	5082	58⅛	57⅝	57⅝	+¼
28¾	6⅞	Ahmans	.48	2.0	7	6763	23⅛	32½	93	+1¼
5¾	2⅝	Aileen			48	77	3½	5⅜	5⅜	+⅛
41⅝	26	AirPrd s	.60	2.4	31	1747	33⅞	32¾	33⅝	+⅜
27¾	18	AirbFrt	.60	3.0	17	368	20½	19⅝	20¼	+⅞
2	⅜	AlMoan	.60c			17	13-32	⅜	⅜	

Continued on Page 41

NYSE COMPOSITE CLOSING PRICES

Continued from Page 40

[illegible]

X Y Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge
72¼	45¾	Xerox	3	5.8	16	2902	52⅝	51⅝	92	+½
58¼	54	Xerox pf5.45		9.6		388	58⅛	55¾	55¾	−⅜
28¾	20⅝	XTRA	.64	2.7		573	24⅛	23¾	23¾	+⅛
17⅞	13½	Yorkin s				356	16⅞	16¼	16¼	
39	27	ZaleCp 1.40		4.0		60	34⅞	34⅝	34¾	+⅜
9½	3¼	Zapata	.05j			189	3½	3¼	3½	
43⅞	23½	Zayre s	.32	1.3	18	5126	24¾	24	24⅜	
29⅞	16¼	ZenithE				1620	20¼	19¾	20	+½
16¾	6	ZenLb s			12	804	9¼	8⅞	8⅞	
22⅝	13⅝	Zero s	.28	2.1	14	92	13⅞	d13½	13¾	
45¾	32¾	Zurnin 1.32		3.7	13	32	35½	35¼	35½	+¼
16⅞	16	Zweig n				1323	16¼	16⅛	16⅛	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in-full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

[illegible]

OVER-THE-COUNTER

Nasdaq national market, closing prices

[illegible]

Continued on Page 39

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Caution still prevails as shares rise

TRADING volume picked up on Wall Street stock markets yesterday as share prices continued their advance for a second day despite flat bond markets, *writes Roderick Oram in New York.*

The pick up was attributed in part to beginning-of-quarter portfolio buying across a wide range of issues. Although stock index futures were trading at a premium to the underlying shares for most of the session they turned to a discount in late afternoon triggering some share selling programmes.

At the close the Dow Jones industrial average of blue chip shares was up 15.32 points at 1,782.90 although it had been up 26 points before the sell wave hit in the last hour.

The New York Stock Exchange composite index was up 1.25 at 134.69 on trading volume of 143.55m shares. In the busiest NYSE session in eight days advancing shares led declining by 1,041 to 536.

Among blue chips, Sears was up $1½ at $41½, Eastman Kodak was ahead $1¼ at $54½, General Motors was up $¼ to $68 and Philip Morris, which was said to be close to a sale of its 7-Up soft drinks unit, rose $1⅛ to $67⅞.

Airline stocks continued to underpin the rapid rise of the Dow Jones Transportation index which gained 14.75 points to 815.13. Yesterday's interest was stoked by buy recommendations from four brokerage houses. Analysts point to strong late summer traffic and imminent fare increases. In addition, Texas Air's takeover of Eastern Air Lines cleared yesterday one more hurdle towards regulatory approval.

Among the sector, Delta rose $1⅛ to $45⅞, UAL gained $1½ to $58½, Northwest Air, which announced tentative orders yesterday for 100 aircraft worth more than $3bn, was ahead $2½ to $54 and Texas Air up $¾ to $35.

Technology shares started strong but turned mixed with IBM up $1⅛ at $137⅞, Hewlett Packard gaining $⅜ to $38⅞, Motorola ahead $1¼ at $38¾ and NCR up $1 at $48⅛.

Many oil stocks also notched up gains with Exxon ahead $⅝ to $67⅞, Chevron up $⅝ at $44⅞ and Amerada Hess was up $⅝ to $23⅛, Standard Oil was up $½ to $47 and Royal Dutch Petrol, which owns 60 per cent of Royal Dutch/Shell, was up $¼ to $89¼.

USX was the most active stock with more than 11m shares changing hands for a $1 rise in price to $24¾. It was believed that Mr Carl Icahn, the prominent corporate raider, had resumed buying USX shares while Mr T. Boone Pickens and Mr Irwin Jacob had sold stakes.

Niagara Mohawk Power fell $2⅞ to $17½ in heavy trading on speculation that its regulatory authority might reduce its authorised return on equity. The utility said it had no such plans.

Prices in the credit markets were mixed although buying interest seemed to be fuelled in part by overseas investors particularly from Japan.

Markets were pleased with data released yesterday confirming that the economy was performing sluggishly which augers well for low interest rates. The August rise in construction spending was larger than expected but this may be an abberation since the gain came in the volatile non-residential area.

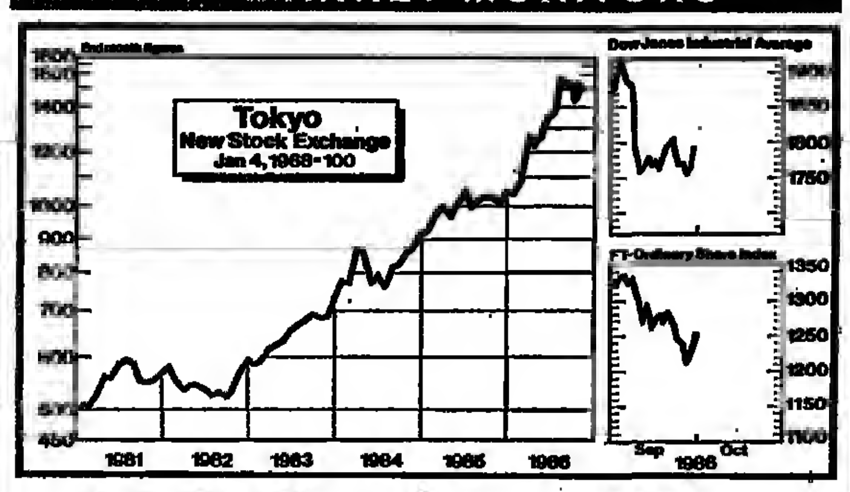
While prices of Government bonds eased in shorter maturities, they edged ahead at the longer end. The benchmark 7.25 per cent Treasury bond due 2016 was unchanged at 95⁷⁄₃₂ yielding 7.6 per cent. Prices of the Chicago December bond future were little changed on the day.

Treasury bill yields were essentially unchanged. Three month bills lost one basis point to 5.18 per cent while six month and year bill yields were unchanged at 5.37 per cent and 5.49 per cent respectively.

The Federal Reserve did $1.5bn of customer repurchases when the Fed funds rate stood at 5⅞ per cent.

In the corporate bonds market, Moody's said it had downgraded a record 191 issues worth $132bn in the first nine months of this year compared with 153 issues worth $107bn downgraded during all of 1985. This year's performance reflected long-term weakness in energy and steel sectors and continuing reconstruction across all industrial sectors.

KEY MARKET MONITORS



STOCK MARKET INDICES

	Oct 1	Previous	Year ago
NEW YORK			
DJ Industrials	1,782.90	1,767.58	1,340.95
DJ Transport	815.13	800.25	663.88
DJ Utilities	199.93	199.71	152.13
S&P Composite	233.60	214.35	185.07
LONDON			
FT Ord	1,251.7	1,227.0	1,004.8
FT-SE 100	1,578.3	1,555.8	1,296.0
FT-A All-share	777.10	768.79	633.87
FT-A 500	855.18	844.76	697.28
FT Gold mines	321.5	319.0	291.4
FT-A Long gilt	10.35	10.37	10.20
TOKYO			
Nikkei	17,564.39	18,052.86	12,685.4
Tokyo SE	1,492.81	1,517.26	1,026.47
AUSTRALIA			
All Ord.	1,253.8	1,246.9	994.2
Metals & Mins.	636.1	627.5	512.9
AUSTRIA			
Credit Aktien	235.55	237.49	n/a
BELGIUM			
Belgian SE	3,799.67	3,801.54	2,479.58
CANADA			
Toronto			
Metals & Minls	2,160.60	1,286.43	1,905
Composite	2,988.30	2,143.50	2,650.4
Montreal			
Portfolio	1,508.43	1,500.47	129.13
DENMARK			
SE	n/a	198.5	218.52
FRANCE			
CAC Gen	382.50	379.5	210.2
Ind. Tendance	148.50	146.20	76.6
WEST GERMANY			
FAZ-Aktien	669.11	658.70	537.00
Commerzbank	1,966.20	1,995.2	1,581.3
HONG KONG			
Hang Seng	2,090.24	2,068.44	1,520.99
ITALY			
Banca Comm.	742.56	738.18	403.62
NETHERLANDS			
ANP-CBS Gen	278.50	276.4	214.7
ANP-CBS Ind	278.10	275.3	189.9
NORWAY			
Oslo SE	375.30	370.68	369.53
SINGAPORE			
Straits Times	812.83	804.26	769.92
SOUTH AFRICA		Prev	Year Ago
JSE Golds	—	1,845.0	1,067.5
JSE Industrials	—	1,379.0	967.9
SPAIN			
Madrid SE	199.41	197.91	86.62
SWEDEN			
J & P	2,470.42	2,437.21	1,368.43
SWITZERLAND			
Swiss Bank Ind	548.10	542.4	481.0
WORLD			
MS Capital Int'l	—	343.4	224.4

COMMODITIES

(London)	Oct 1	Prev
Silver (spot fixing)	385.40p	380.70p
Copper (cash)	£948.0	£957.00
Coffee (Nov)	£2,195	£2,330
Oil (Brent blend)	$13.95	$13.95

GOLD (per ounce)

	Oct 1	Prev
London	$423.50	$423.25
Zürich	$423.55	$424.5
Paris (fixing)	$421.54	$420.08
Luxembourg	$425.50	$421.45
New York (Dec)	$429.2	$426.15

CURRENCIES

(London)	US DOLLAR Oct 1	Previous	STERLING Oct 1	Previous
$	—	—	1.4450	1.4470
DM	2.0215	2.0270	2.92	2.93¾
Yen	154.15	151.35	222¾	223.425
FFr	6.62	6.64¾	9.56¾	9.61¾
SFr	1.6410	1.6460	2.37	2.38¾
Guilder	2.2835	2.2920	3.30	3.315
Lira	1.396¾	1.401½	2,020¾	2,028
BFr	41.95	42.05	60.60	60.85
C$	1.3885	1.3885	2.0070	2.0100

INTEREST RATES

	Oct 1	Prev
Euro-currencies (3-month offered rate)		
£	10¹¹⁄₁₆	10¹¹⁄₁₆
SFr	4¾	4⅞
DM	4⅝	4⅝
FFr	8⅜	8⅜
FT London Interbank fixing (offered rate)		
3-month US$	5⅞	6⅛
6-month US$	6⅛	6⅛
US Fed Funds	5¹⁵⁄₁₆*	5⅞
US 3-month CDs	5.65*	5.75
US 3-month T-bills	5.18*	5.20

US BONDS

Treasury		October 1 Price	Yield	Prev Price	Yield
6⅝	1988	100	6.341	100	6.375
7¼	1993	100⅝	7.232	99⅞	7.273
7¼	1996	99⅝	7.41	99⁹⁄₃₂	7.446
7¼	2016	95⅝	7.576	95⅝	7.634

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	Return index (Oct 1)	Day's change	Yield	Day's change
1–30	155.56	+0.65	7.17	–.08
1–10	148.80	+0.35	6.86	–.07
1–3	140.00	+0.18	6.40	–.07
3–5	151.21	+0.36	7.07	–.08
15–30	179.98	+1.78	8.22	–.10

Source: Merrill Lynch

Corporate	October 1 Price	Yield	Prev Price	Yield
AT & T 3⅞ July 1990	91.42	6.50	91⅛	6.470
SCBT South Central 10⅜ Jan 1993	106⅝	7.50	106⅝	9.533
Phibro-Sal 8 April 1996	97⅜	8.35	97⅜	8.445
TRW 8⅜ March 1996	101⅛	8.50	101⅛	8.571
Arco 9⅞ March 2016	106.27	9.25	105	9.371
General Motors 8⅜ April 2016	90.057	9.10	88⅝	9.242
Citicorp 9⅜ March 2016	97.79	9.60	96⅛	9.736

Source: Salomon Brothers
Yield calculated on a semi-annual basis

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
Dec	96-20	97-09	96-04	95-23
US Treasury Bills (IMM) $1m points of 100%				
Dec	94.84	94.90	94.80	94.74
Certificates of Deposit (IMM) $1m points of 100%				
Dec	n/a	n/a	n/a	n/a
LONDON				
Three-month Eurodollar $1m points of 100%				
Dec	94.04	94.09	94.02	93.94
20-year Notional Gilt £50,000 32nds of 100%				
Dec	110.31	121.4	101.1	111-22

* Latest available figures

EUROPE

Boosted by transatlantic influences

THE FIRMER TONE on Wall Street continued to boost Europe yesterday and all the major bourses ended the session showing gains.

Frankfurt scored particularly well, helped by forecasts that industrial profits would rise next year. The Commerzbank index added a healthy 35.4 to 2,001.6.

Some of the biggest gains were seen among electricals and car makers. Demand for Siemens, which has acquired a majority stake in a GTE unit, pushed its shares DM 27.80 higher to DM 699.80 and AEG added DM 10.50 to DM 315.50.

High-technology group Nixdorf, which has won a £8.4m order from the UK, firmed DM 10 to DM 710.

Meanwhile, a public offer of almost 25 per cent of the ordinary capital of electronics group Schneider Rundfunkwerke, which opened yesterday, was heavily oversubscribed.

Among the car-makers, which are expecting good profits, Daimler rose DM 30 to DM 1,272, VW DM 17.30 to DM 498.30 and BMW DM 16 to DM 630.

Chemical Bayer added DM 10.50 to DM 300.50, BASF rose DM 5 to DM 278 and Hoechst DM 7.40 to DM 266.80.

Elsewhere, retailers also saw good gains with Kaufhof up DM 16 to DM 518 and Karstadt DM 7 firmer at DM 441.

In the bond market long maturities gained as much as 1 basis point as domestic and foreign investors sought bargains. The average yield of public authority bonds fell from 5.85 per cent to 5.81 per cent. The Bundesbank sold DM 247.9m of domestic paper after selling DM 00.4 on Tuesday.

Amsterdam joined the upward trend under transatlantic influences but continued worries over exchange and interest rates put a damper on turnover.

Among the internationals, which were generally firmer, Unilever added Fl 2.50 to Fl 477, Philips 60 cents to Fl 54.40, and Akzo Fl 2.20 to Fl 147.20 ex-rights. However, Royal Dutch lost Fl 1 to Fl 203.10.

Banks closed firmer with NMB up Fl 3.50 to Fl 216.50, and ABN Fl 6 higher at Fl 553.50. Among insurers Aegon closed Fl 1.70 up at Fl 93.70 and Amev rose 30 cents to Fl 75.

Zurich moved higher on the combined influences of a stable dollar, Wall Street's rise and falling short-term interest rates. Active trading pushed several insurance, banking and industrial stocks up strongly, with UBS bearer adding SFr 100 to SFr 5,745 and Swiss Re advancing SFr 400 to SFr 17,300.

Brussels recovered somewhat from Tuesday's downturn with shares mixed at the close. Worries over a linguistic dispute between French- and Flemish-speaking politicians receded.

Paris was lifted by Wall Street's rise, by bargain-hunting after the past week's 4 per cent slide, and by news that Airbus Industries is negotiating for a big order of aircraft from Northwest Airlines of the US.

Shares were firmer from the start, with blue chip gainers including Bouygues, up FFr 49 to FFr 1,400. The group said it was buying a 10 per cent stake in engineering firm Spie Batignolles.

Milan had a subdued session with share prices ending mainly higher and trading again dominated by Fiat, up L200 at L15,000, and Montedison, down L20 at L3,450.

Stockholm was firmer, with interest focused on Stora after its takeover of rival pulp and paper producer Papyrus. Stora ended steady at SKr 312. **Oslo** and **Madrid** both rebounded.

SINGAPORE

A BROAD RALLY lifted Singapore shares out of their recent depression and saw the Straits Times industrial index recoup almost all of Tuesday's loss, ending 8.57 higher at 812.83.

But despite institutional buying and a higher turnover of 17.1m shares compared with Tuesday's 14.5m, the more positive market was still somewhat undermined by a series of poor company results.

Banks were all stronger, with Malayan Banking up 22 cents to S$3.80 and OCBC adding 20 cents to S$7.90.

SOUTH AFRICA

THE WORK STOPPAGE by black miners to mourn 177 colleagues who died at the Kinross mine last month dominated market thinking. Golds closed with an easier bias in Johannesburg as a consequence.

Buffelsfontein dipped R1.50 to R93.50, Driefontein eased by R1.00 to R69.50 as did Gold Fields by 75 cents to R55.25.

Platinums were mixed while diamond share De Beers was down 25 cents to R31.

TOKYO

Early rally thwarted by profit-taking

LATE selling by securities companies in Tokyo yesterday took stocks sharply lower after a moderate gain in the morning, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average plunged 288.47 to 17,564.39. Trading volume swelled further from 1.377bn to 1.713bn shares. Declines led advances by 649 to 184, with 114 issues unchanged.

The start of the new business year for securities companies saw their dealing divisions place large buy orders in early trading to boost the dull market. This, combined with active trading in large-capital stocks by institutional investors, lifted the bellwether market barometer by about 120 points early in the session.

But the market remained lacklustre and lost ground towards the close on large-lot selling by dealers. The bearishness gathered momentum, as some popular issues among those related to redevelopment of areas along Tokyo Bay, stocks connected with information communications and major consumer issues slipped on profit-taking.

Stocks related to Tokyo Bay continued to be favoured by institutions. Nippon Kokan remained the most active with 232.1m shares traded. It closed Y1 up at Y337 after gaining Y10 in the morning. Ishikawajima-Harima Heavy Industries, with 230.8m shares traded, rose Y6 to Y636 after surging Y34 at one stage, while Tokyo Gas, with 87.5m shares, shed Y30 to Y1,170 on profit-taking.

While the three major waterfront issues slackened, Mitsubishi Steel Mfg was in the spotlight due to its large property holdings along Tokyo Bay. It scored a maximum Y100 to Y745.

Among other steels, Kawasaki Steel, with 230.8m shares, rallied Y20 to Y278 and Nippon Steel, with 42.8m shares, Y5 to Y213, Mitsubishi Heavy Industries, with 111.3m shares, put on Y11 to Y650.

Communications stocks rose at a slower rate or weakened. Mitsubishi Electric, with 143.7m shares, gained Y2 to Y609 after strengthening Y21 at one point and NEC Y40 to Y2,420. Toshiba eased Y38 to Y790 and Hitachi Y60 to Y1,010.

Bonds moved widely, reflecting the volatile futures market. The Tokyo market was largely unaffected by a strong overnight rally in the US bond market, bolstered by US President Ronald Reagan's remarks at annual meetings of the International Monetary Fund and the World Bank in Washington calling for another round of discount rate cuts by industrial powers.

Concern spread among investors as futures for delivery in December slipped Y0.25 from the previous day to Y102.55, below the low of Y102.60 recorded last August, due to large selling by big securities companies. The futures later improved to close at Y103.02.

The yield on the benchmark 8.2 per cent government bond due in July 1985 ended unchanged from Tuesday at 4.720 per cent after soaring to 4.755 per cent.

CANADA

A BROAD ADVANCE in Toronto took its lead from Wall Street's firmer trend.

Canadian Pacific continued to climb trading C$⅜ up at C$16¼. The group is expected to realise an extraordinary gain in the final quarter from the sale of its 53 per cent interest in Cominco, unchanged at C$13¼.

Elsewhere, Dome Petrolem lost 5 cents to C$1.04, Royal Bank of Canada added C$⅜ to C$32½ and Bell Canada lost C$⅛ to C$37½.

In Montreal industrials, utilities and banks all traded marginally firmer.

LONDON

Industrials underpin sharp rise

THE STRONG START on Wall Street heartened London yesterday and prices moved up sharply.

Much of the strength, however, came from a narrow band of major industrials, some of which will be helped in export markets by a prolonged weakness in sterling.

The FT-SE 100 index added 22.5 to close T 1,578.3 and the FT Ordinary share index closed 24.7 higher at 1,251.7.

Institutional buying helped boost Glaxo which added 35p to 965p. Beecham rose 23p to 411p in advance of a major presentation to analysts in London.

A recovery by gilt-edged securities lost momentum later in the session and prices were no more than a touch firmer.

Chief price changes, Page 39; Details, Page 38; share information service, Page 36–37

HONG KONG

OVERSEAS BUYERS continuing to shift funds from overseas markets boosted Hong Kong to its sixth consecutive record.

The Hang Seng Index closed 21.80 higher at 2,090.24. The index has climbed almost 170 points, or about 8.75 per cent in two weeks.

Property shares and utilities scored particularly good gains. China Light rose 60 cents to HK$18.90, China Gas put on 50 cents to HK$17.20 and Hong Kong Electric added 10 cents to HK$10.40.

AUSTRALIA

THERE WAS a reversal in Sydney sparked by good overnight performances in London and on Wall Street and slightly higher bullion prices.

Woolworths, the country's second largest retailer and the subject of intense takeover speculation, again occupied centre stage. The share gained 5 cents to A$3.70 with more than 4.8m shares changing hands.

FINANCIAL TIMES SURVEY

UK Banking

The TSB flotation has blown away some dust and underlined the growing competition in the banking industry. Yet there is a need for caution. No one wants a loan crisis with Big Bang imminent.

Now it's the Big Five

By David Lascelles
Banking Correspondent

THE TUMULTUOUS reception given to the launch of the Trustee Savings Bank last month has probably done more to thrust the UK banking industry before the British public's mind than any other event in recent years, and probably to good effect.

Just as the British Telecom flotation did wonders for public awareness of the economics of communications, the TSB has stirred up a whole range of issues to do with banking, a business normally regarded as far too dusty or technical for anybody but the practitioner and the specialist. The intensification of competition, the need for capital, the role of high street banks, to say nothing of the ownership of banks, and what they should do with their money — these are all themes that have had an airing.

The overall impression this has created is a reasonably positive one. The emergence of the TSB as a public company has underlined the growing competition that now exists in a business best known for its brief opening hours. From now on, it will be more accurate to talk of Britain's "Big Five" clearing banks, rather than just the Big Four, fighting for the domestic consumer and corporate market.

The enormous capital with which the TSB has been floated (over £2bn) is indicative of the huge resources which are now at the disposal of the UK banking industry. This should underpin their competitive power and give them the means to take advantage of the new markets that are opening up in other financial services, and in the City as a result of the Big Bang.

At the same time, the success of the TSB issue (even allowing for the fact that it was an investors' bargain) was a reassuring sign of confidence in banks. Interestingly, the shares of UK banks all benefited from the flotation when one might have expected them to weaken because of the demands being placed on that sector of the market by the TSB.

In fact, this must be one of those rare moment when the epithets "vigorous" and "healthy" can justly be applied to the UK banking industry. As fears about the Third World debt crisis have receded, and the UK economy has continued to grow, the profits of UK banks have advanced strongly to the point where the largest of them, National Westminster Bank, is expected to be the first UK bank to earn more than £1bn in profits this year.

NatWest also set a record in May with its £714m rights issue, the culmination of a string of capital-raising exercises by UK clearing and merchant banks which have resulted in stronger balance sheets, and brought new names, like Morgan Grenfell, to the market.

The growing sense of strength and purpose in UK banking was most strongly underlined by Lloyds Bank's surprise £1.3bn takeover bid for the Standard Chartered Bank during the summer. As it turned out, the bid was thwarted by Standard's wealthy allies in the Far East, but not before it had set a new milestone in British banking.

Apart from its sheer size, it was remarkable in that it was a hostile bid — and that the Bank of England allowed it to go ahead. Banks do not normally throw themselves into controversial battles like this, because of the possible damage that can do to customer confidence. But Lloyds, the smallest of the Big Four, has an ambitious and determined management that wants to expand the bank's territorial reach and pull it up in the world league tables. (Lloyds would have emerged as the UK's largest bank had the deal gone through.)

While this may not mean that UK banks are about to launch into an era of hostile takeovers, Lloyds has shown that that option is now open to them — and Lloyds itself is widely expected to renew its bid for Standard should the opportunity arise.

Some might think that banking times are even a bit too good. There has certainly been a mounting sense of unease in recent months about the rapid growth in bank lending to the personal sector, including the mortgage market, which has contributed the major portion of the banks' business. So attractive has this market been that foreign banks have also begun to attack it in a big way.

Only last month, Mr Robin Leigh-Pemberton, the Governor of the Bank of England, took the trouble to warn banks and building societies about the dangers of relaxing their lending standards in the drive to build up their loan books. Although payment arrears on mortgages are still low, they are rising, and many households must be highly vulnerable should interest rates or a recession strike.

The growing uncertainty about the outlook on interest rates and foreign exchange are further reasons why senior bankers see a need for caution.

Although banks are reasonably well capitalised, they cannot afford to have a major loan crisis on their hands at this moment because of the huge demands being placed on bank resources and managements by the Big Bang, now only three weeks away.

Although the Big Bang is essentially about deregulating the Stock Exchange, it raises big strategic questions for banks as they adjust to an era when financing through securities markets is becoming more popular than finance in the form of bank loans.

The Big Four clearers are all putting the finishing touches to their new investment banking operations—all of them substantial and capitalised to the tune of several hundred million pounds. In the case of NatWest, Barclays and Midland, these have been constructed round acquired stockbroking and jobbing firms. Lloyds has stuck doggedly to the view that such a business is best developed internally, without paying fancy prices for outside firms.

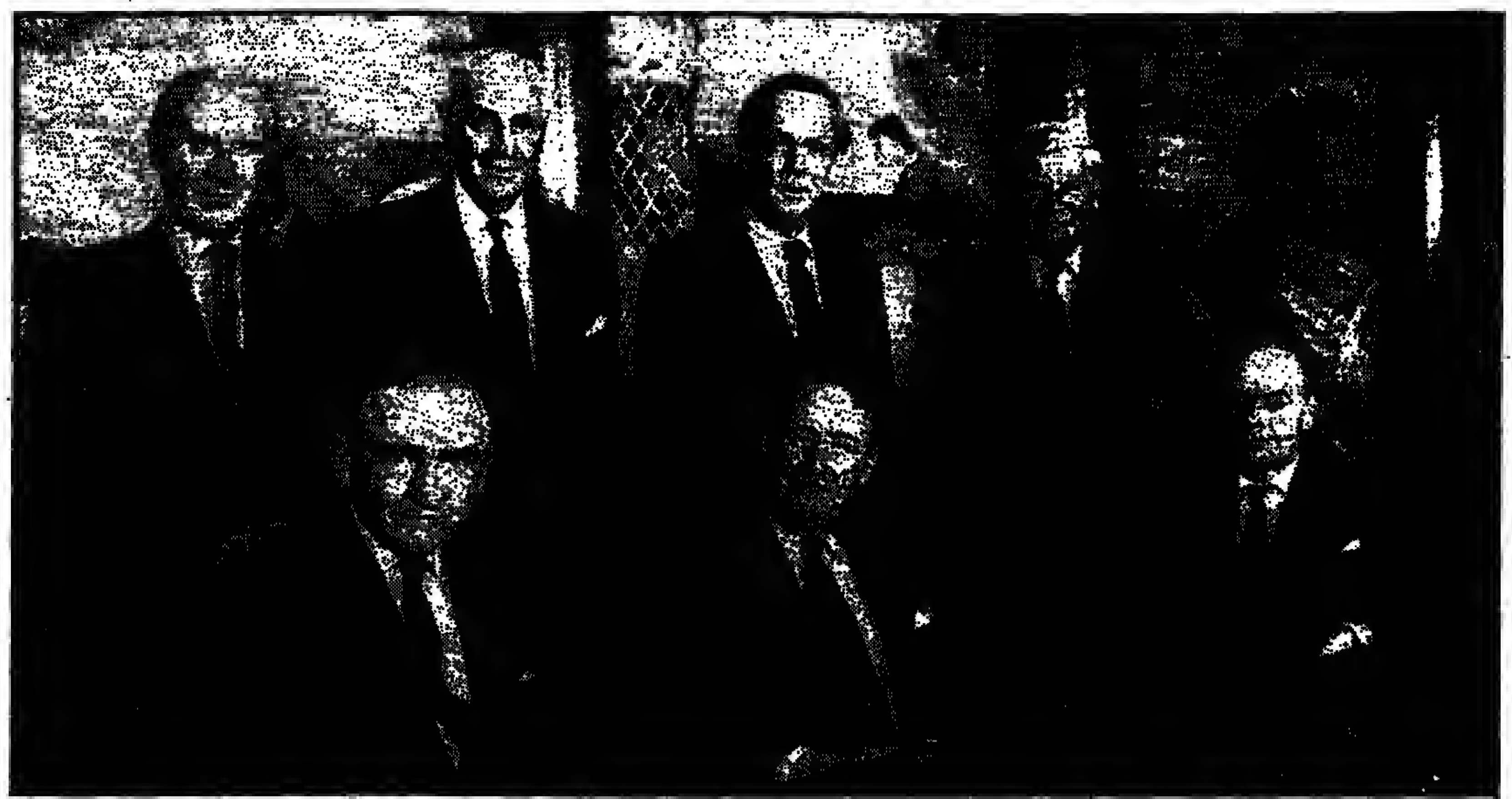
They are broadly similar: they combine securities issuing and trading with corporate finance, asset management and stockbroking services. The clearer will also be primary dealers in the gilt-edged market. Most of these activities are so novel for clearing banks that their ability to make a success of them, and to stick it out during the rough times that everyone expects to follow Big Bang, will be good test of their mettle.

The merchant banks, on the other hand, are probably mentally better equipped to cope with the City's changes, though they lack the great capital resources of the clearers. The fact that Morgan Grenfell and Mercury International Group, two of the leading merchant banks, came to the markets for the first time this year to build up their funds is a sure sign that capital firepower is becoming as important as the "people" skills they have relied on in the past.

What is less clear at this stage is how far the clearing banks intend to pass on the benefits of Big Bang to their retail customers. They would seem well equipped to become the major purveyors of investment services in Britain's high streets with the growing fashion for financial supermarkets.

Only Barclays Bank has announced any firm plans: it has created Barclayshare, a new company to provide investment and broking services to the private individual—but only in a limited way to start with. The other clearers are preparing something similar—but all rather tentatively, because of the high cost of setting up services in their huge branch networks and uncertainty about the likely customer response.

Appropriately, given the riskier environment into which banks are moving, the Bank of England has begun to keep a much closer eye on their activities. Shortly after the Big Bang, a new Banking Bill will also be published by the Government to correct the regulatory shortcomings exposed by the two-year-old Johnson Matthey Bankers affair. The debate over its provisions should take place at an interesting time.



The chairmen of Britain's major banks, at a recent meeting of the Committee of London & Scottish Clearing Banks. Standing (left to right): Lord Barber, chairman of Standard Chartered; Sir Thomas Risk, Governor of the Bank of Scotland; Sir Timothy Bevan, chairman of Barclays; and Sir Michael Young-Herries, chairman of the Royal Bank of Scotland. Seated (left to right): Lord Boardman, chairman of the National Westminster Bank; Sir Donald Barron, chairman of the Midland Bank, and chairman of the committee; Sir Jeremy Morse, chairman of Lloyds Bank.

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UK Banking 2

The City Revolution

Defence with an eye to tradition

As companies raise more money through the securities markets, it makes sense for banks to move deeper into the business.

BANKS HAVE responded eagerly to the opportunity to enter the securities markets in London, a chance largely denied to them by legislation in tha US and Japan, except in respect of *specialised* activities.

Among the contenders are various distinct groups. There are the London merchant banks, aiming to develop their capital market connections; the big UK clearing banks are seeking to emulate the "universal banks" of the continent; a number of continental banks are building up their presence in what is by far Europe's most important international financial centre; and a selected number of American commercial banks are building *a global investment* banking capability.

To some extent, the motivation is defensive. Bank lending is sluggish in most corporate lending sectors, and a disturbing number of major companies can now borrow more cheaply than the banks themselves.

Much more capital is now being raised by companies through the securities markets. So it makes sense for the banks to move more deeply into the securities business.

More positively, with deregulation in the air, and the barriers between different areas of the financial services sector tending to become blurred, the banks are intending to develop their traditional ranges of activities.

This applies particularly to the clearing banks, which have been content in the past to cream off their share of commissions from securities transactions directed to Stock Exchange members' firms. But technology has now developed enough for them to hope to make money out of new private-investor dealing services, of which next year's promised "Barclayshare" will be just one example.

As some of the biggest and most powerful of the nation's financial institutions, the clearers also feel some sort of obligation to support the British presence in the new securities markets. Thus the Big Four are all joining the gilt-edged market as market makers, although their presences in equities will be more variable; Lloyds will be keeping out of market making in equities, at least for the time being.

The four clearers have all adopted subtly different strategies. Barclays has been the most ambitious, spending well over £100m on two top stock market firms—a jobber and e broker—and setting them np as a £250m securities market unit, Barclays de Zoete Wedd.

National Westminster bought much more modestly, though in County Bank, its marchant banking offshoot, it has a rather more impressive home-grown base on which to graft its acquistions. Midland has also been relatively cautious, merging Greenwell into Samuel Montague. And Lloyds has opted for the much more patient, longer term strategy of growing its own stock market operations.

Such a frugal approach by Lloyds contrasts radically with the urgent global ambition shown by a number of the other leading banks at home and abroad.

Many of these see e temporary window, through which they need to leap in order to establish themselves as worldwide forces in the international securities markets, with, at the very least, a substantial presence in the three major global centres of *London*, Tokyo and New York.

Among those attempting to take this route are British merchant banks like Warburg, Kleinwort Benson and Morgan Grenfell, together with one or two continental banks including Union Bank of Switzerland.

Several top American banks, including Citicorp and Chase Manhattan, would also like to adopt this strategy, but are fundamentally handicapped by their inability to shake free of *the constraints of the Glass-Steagall Act* in the US, which separates commercial and investment banking.

The London merchant banks, in contrast, have the flexibility to be able to dispose of their US lending offshoots if these cause regulatory headaches — in the way that Schroders, for instance, has moved out of US commercial banking.

It is not so easy for the clearing banks. Barclays and NatWest, in particular, are intensively *exploring the scope* they have for developing securities operations in New York in order to give a global service to their clients. It is no coincidence that NatWest is et the forefront of the current attempts by banks to persuade Congress to push back the Glass-Steagall frontiers.

At home, the move into the securities markets poses severe managerial and cultural problems for the banks. The *hierarchical* clearing banks, with their elaborate grades and scales, are faced with the need to accommodate entreprenenrial, volatile securities market professionals on vastly higher — if more variahla — levels of remuneration.

The clearing banks are unionised, bureaucratic and slow-moving, worlds away from the hire-and-fire, payment-by-results ettitudes of the stock market firms. The banks' moves to increase their flexibility by *keeping the trade unions out* of their investment banking subsidiaries have led to furious confrontations.

And there is bound to be discontent when senior clearing bank managers are often paid mnch less than securities traders *in their twenties. The chair*man of an American investment bank is accustomed to being paid less than many of his employees. But this is not so easily accepted by a top British clearing banker.

For the merchant banks, the *culture* clashes are less extreme, but if anything the management challenges are even greater. To go seriously into the securities markets, the merchant banks have had to raise large new sums in capital *and double, or more* than double, their numbers of people employed.

A bank like Morgan Grenfell has been forced out of its comfortable private corner, and has had to take on all the new responsibilities of a stock market listing.

Of course, there are a number of merchant banks, such as N. M. Rothschild, Baring Bros and Lazard Bros, which have not been willing to contemplate the changes of family control or the internal npheavals that would *be required to become major* securities market players, and they have opted for more modest niche strategies.

Traditionally, the merchant banks have been long on flair and connections and rather short on management expertise. Tha quantum leaps in *size* will therefore pose a severe test.

With the arrival of Big Bang, the real time of trial is beginning, for the clearers as well as the merchant banks. During the next year it is likely to become *evident which of the new British* groups are going to succeed and which are going to *struggle* to survive.

The pre-Big Bang realignment is likely to be followed by another reshuffle, as weak or unbalanced groups seek to merge urgently with stronger, or at any rate complementary, partners. And, whereas the first round of mergers allowed at least a limited amount of time for choice and consideration, the second round is bound to include some abrupt shotgun weddings.

In particular, several of the merchant banking groups may feel they need to tie up with clearing banks in order to gain the muscle to compete in the global securities markets.

Such mergers have been avoided so *far among the lead*ing players, because the loss of prestige and the risk of culture clashes would have been too severe. But in the testing time ahead, there may seem to be no alternative.

Barry Riley

Clearing Banks

Doing well despite competition

BARRING last-minute disasters, 1986 could turn out to be the UK's first billion pound banking year. National Westminster Bank, now firmly ensconced as the country's largest clearer, appears set to make pre-tax profits extending into ten digits this year.

This enormous figure—which will be matched by e mere handful of banks elsewhere in the world—may well be cause for celebration simply because of its size, though banks have learnt from bitter experience that profitability end popularity do not go hand in hand. But it also suggests that UK banks are doing rather well despite all the talk of fierce competition in the financial services business, end fears about the health of the world economy.

Collectively, the UK's Big Four clearers earned nearly £1.5bn before tax in the first half of this year, a riseable 22.5 per cent increase on the first half of 1985. The bulk of this came from their operations on the UK market where banks boldly confronted the competition from other sources like building societies—and have even been turning the tables on them by making a huge success of their newly developed mortgage business.

In fact the private customer has been a far better source of *business for banks this year* than industry, which suggests that their heavy high street branching operations are paying their way despite frequent comments that they are too large. Retail borrowing has boomed while corporate loan demand has only inched ahead, many companies being flush with cash.

The better profits also came despite the banks' continuing caution over bad debts. In the UK, company bankruptcies are *still sufficiently high* to be a worry to the banks.

According to Sir Timothy Bevan, the chairman of Barclays Bank, there also looms the threat of more personal bankruptcies because of the huge volumes of personal credit, including home loans, taken out during this year's easy money conditions. Barclays was the one bank among the Big Four to report disappointing results for its domestic operations in the first half of the year.

If there is another recession on the way, it will be personal customers who cause banks their worst problems, compared to businesses who brought trouble last time round.

But even if times do get tougher, the banks are now in a better position to cope with adversity. Most of them have raised large amounts of new debt and equity capital this year, including NatWest which made a record £714m rights issue in June. Even Midland Bank, recovering from the trauma of Crocker National Bank, is looking healthier. The bank sold its troublesome California subsidiary in May for just over $1bn, which gives its new chief executive Sir Kit McMahon a useful cash board to finance new activities.

But generally, Britain's clearing bankers are quite optimistic. Lord Boardman, the chairman of NatWest, said in announcing his bank's results in August: "As we look at the world, the combination of falling oil prices, lower inflation and declining nominal interest rates has not yet worked through to create the expected economic growth. But I believe the world economy is set to strengthen towards the end of this year and through 1987." He expected to see further falls in the base rate before the year end.

Certainly, the clearers' rising fortunes suggest that the days when they did best at times of high interest rates are past. This is partly because their endowment of interest-free balances is shrinking, but partly too because bankers shrewdly made fixed rate loans when interest rates were high, and are now reaping substantial rewards from them.

These returns have to a great extent offset the higher costs banks have incurred through last year's move to "free banking" for high street customers who stay in credit—all part of *the battle* for the personal banking market.

Profits of the major UK clearing banks: £m pre-tax.

	Half year 1986	Half year 1985	Full year 1985
Barclays	434	403	854
Lloyds	335	264	561
Midland	195	151	351
National Westminster	482	361	804
Standard Chartered	131	134	268

Recent months have also brought deep seismic stirrings in the UK banking industry, notably Lloyds Bank's surprise £1.3bn takeover bid for the Standard Chartered Bank.

Although the bid was ultimately thwarted by a group of wealthy Far East investors allies of Standard, it showed that possibilities for major structural change in the industry still exist. Lloyds, the smallest of the Big Four, demonstrated its ambition to become substantially larger and extend its worldwide reach, something that rather alarmed its competitors. Having shown its hand in this way, it seems unlikely that Lloyds' ambitions will quietly subside.

Mr Brian Pitman, the bank's determined chief executive, said after the bid failed: "We have the *resources available* to take advantage of acquisition opportunities whenever and wherever they occur." A renewed bid for Standard can not be ruled out.

The structure is also being changed by the flotation of the Trustee Savings Bank whose market capitalisation will make it about the same size as the Midland Bank. Although the TSB has been flexing its muscles for some time, the flotation will add £1.27bn to its resources and enable it to go aggressively after both the upper end of the retail market and the business market, traditionally the best preserves of the established clearers.

Certainly, what with the need to defend their home markets and prepare themselves for the forthcoming challenge of the Big Bang, the clearers' main focus is on the UK rather than abroad. The banks have the opportunity to become the leading purveyors of financial services in the UK, and they may be expected to extend their diversification into new businesses. Lloyds has already gone into estate agency (a move since followed by Hambros, the merchant bank), the Royal Bank of Scotland is in insurance underwriting.

The whole retail dimension of Big Bang has also to be considered: will banks become the UK's major stockbrokers for the private investor as they are in some continental countries? Barclays has already announced plans to sell stock exchange services to individual clients, and its rivals are gearing themselves up too.

Altogether, *this* is a time of rare opportunity for the clearers. The popular view that they are under siege from new non-banking competitors and will go the way of the dinosaurs could prove erroneous if they play their cards right. They have shown that they are a match for the building societies. The next year or two will show whether they can also take on their new investment banking competitors in the City of London.

David Lascelles

Supervision

A Bill to launch a new regime

ONE OF the Government's first steps in the new parliament this winter will be to publish a Banking Bill. This will lay the basis for a new supervisory regime for the UK banking system and should become law sometime next year.

The new Banking Act will mark the culmination of a process lasting more than two years, and dating back to the 1984 Johnson Matthey Bankers crisis which dramatically pointed up weaknesses in the way the Bank of England oversees the management of UK banks.

These were principally the ease with which a bank could lend the equivalent of well over its entire capital to a single doubtful borrower—and the slowness with which the Bank responded to what in retrospect seem rather obvious signs of imprudence. The failure of JMB's auditors to spot trouble was also an issue.

The bill, which will replace the 1979 Banking Act, will be based on the Banking White Paper published by the Government last December. Sources close to the drafting of the bill say it is unlikely to differ greatly from this document, though comments have been taken into account.

One of the central aims of the bill will be to establish the Bank of England as the supervisory authority (something which was never fully formalised in statute before) and strengthen its statutory powers to prevent institutions taking in deposits illegally.

The bill will also create the new criminal offence of deliberately misleading the Bank in prudential reports.

However, the bill will make it clear that the Bank is not responsible for the soundness of the banking system as a whole: that would imply a blanket guarantee against bank failures. In practice, however, the Bank will have a strong moral obligation to prevent individual bank failures, much as before.

The main points of the bill will include:

● The establishment of a Board of Banking Supervisors consisting of Bank officials and outsiders with the relevant expertise to advise Mr Robin Leigh-Pemberton, the Governor, on supervision matters. The purpose of the board, which will report separately to the Treasury, is to make the Bank more accountable for the way it carries out its supervisory responsibilities.

● The abolition of the present two-tier system which distinguishes between recognised banks and licensed deposit-takers. Any licensed deposit-taker with capital of more than £5m will be able to call itself a bank. The established banks wanted this threshold raised to £10m to create more exclusivity, but their wishes have been rejected.

● Limitations on the amounts of money, expressed as a percentage of their capital, that banks can lend to a single customer. The Bank has set this limit at 25 per cent, with loans over 10 per cent requiring notification to the Bank. These figures will be in the bill.

● Specification of the role of auditors in the supervisory process. Earlier this year, Mr George Blunden, the Deputy Governor, listed some of the Bank's proposals, that deposit-taking institutions should commission reports from accountants on the adequacy of their internal control and accounting systems; that auditors submit reports to the Bank confirming the accuracy of the information supplied by banks; and that trilateral meetings between the Bank, e bank and its auditors be held at least once e year.

On the sensitive issue of whether auditors should be allowed to approach the Bank on their own initiative when they were concerned about a bank, Mr Blunden said he thought this would be "exceptional."

He looked to the accountancy profession to come up with guidelines of its own, but if it did not the act would give the Bank powers to prescribe auditors' duties.

● Powers for the Bank to intervene in the merger or acquisition of a bank on prudential grounds.

● Enhancement of the deposit protection scheme.

In practice the Bank has already taken several strides towards introducing some of these measures and beefing up its supervisory role. It has increased its staff, and is visiting more banks on their premises to check up on their systems and management.

Mr Leigh-Pemberton has also appointed the outside members of his Supervisory Board. They are: Mr Andrew Caldecott, chairman of the M & G Group; Mr Peter Graham, senior deputy chairman of Standard Chartered Bank; Mr Alan Hardcastle, partner of Peat Marwick Mitchell; Mr Nigel Robson, chairman of the Royal Trust Company of Canada; and Mr Deryk Vender Weyer, deputy chairman of British Telecom.

The board has begun to operate on a non-statutory basis until the bill is enacted.

The Bank has also published a number of papers on matters like liquidity, the supervision of their new securities activities, and large exposures, all of which are intended to flesh out the new regulatory regime.

Altogether, it amounts to e more elaborate system backed by stronger statutory powers. This is being viewed with mixed feelings in the UK banking industry: bankers want to be spared crises, but also regulatory hassle, and many of them have complained that UK banks will be unfairly handicapped compared to their foreign competitors.

For the Bank, on the other hand, the additional powers are welcome, but they also place on it a vastly greater responsibility to ensure that nothing goes wrong.

The bill is also coming at e time when the Bank is leading a wider move by international banking supervisors to tighten up banking standards, particularly on the matter of higher capital backing for some of the more innovative financing techniques now being used by banks.

Mr Blunden has made it clear to foreign banks operating in London that they will be expected to adhere to UK standards, whatever the situation on their domestic markets.

Altogether, the UK authorities seem determined to resist the argument that London could suffer as a financial centre if it is too tightly regulated. The message, instead, is that the enforcement of prudent practices will *do just the opposite* and foster greater confidence in the institutions which operate there.

David Lascelles

Discount houses

The competition will get tougher

THE CITY'S discount houses, long among its more privileged establishments, will also be among those that feel some of the strongest tremors from the Big Bang.

Already this small band of banks specialising in the money markets have seen their number reduced from 13 to eight in recent years as the Bank of England has slowly dismantled the protective barriers around them.

Of that number, four have been taken over by larger institutions (three of them foreign), leaving only four independents to find a new role for themselves. These are Gerrard & Netional, Union Discount, Cater Allen and King & Shaxson.

Although the Bank will continue for the time being to deal with the discount houses exclosively as the intermediaries between itself and the UK banking system, the discount market can no longer be seen in isolation from the changes that are reshaping other UK financial markets, particularly the gilts market where banks are being admitted as primary dealers.

Before long—possibly after a couple of years—it is expected that the Bank will change its dealing arrangements in a way that will expose the discount houses to much greater competition.

It has a number of options. It can admit new banks into the discount market—and several of them want to be able to deal directly in short-term money market instruments.

Alternatively, it can remove the barrier that separates the discount market from the gilts market, and allow banks to trade in the whole spectrum of money instruments from overnight deposits to 30 year government bonds, as they do in the US, with access to tho Bank of England.

Eventually, the Bank will probably take both steps, and effectively eliminate the discount market as e separate trading market altogether. However, the central bank will most likely preserve certain safeguards for its own purposes.

This is a sensitive issue for two reasons: one is thet the Bank has traditionally preferred to deal with the UK banking system at a distance—and the discount houses provided e convenient buffer. This suggests that even if newcomers are admitted to tho discount market, they may have to deal through specially established subsidiaries.

The other is that the Bank uses the discount market for its open market operations in support of monetary policy, and because of this it will only deal with epproved bouses.

Whatever happens, it means the discount houses will lose their monopoly—something for which they have been preparing for a number of years. All of them intend to remain dealers in the financial markets—for which they see themselves well-suited with their readiness to "take a punt," though they have been looking at new fields as well.

Gerrard, the largest, has been building np new businesses, like commodities broking, and intends to become a primary dealer in gilts. Earlier this year it raised £22m in its first rights issue to boost its resources to enter new markets.

Union, the number two, has gone into leasing, but decided against becoming a primary dealer because in its view the privileges outweighed the costs. It will, however, be active in the financial markets.

Cater's, which had a rights issue for £18m as well, will also be e gilts dealer, but has gone into new businesses like insurance. King & Shaxson, the smallest of the independents, intends to become a money broker in the gilt market.

The four houses which have been hought by larger groups are all being used by their parents as the short-term money market dealing arms of much larger integrated capital market operations.

These include: Alexanders (now part of the investment banking business being assembled by Mercantile House), Clive Discount (part of Pru-Bache, the US investment bank), Seccombe, Marshall & Campion (belonging to Citicorp), and Quin Cope (bought by Banqne Belge).

A pointer to the future was recently provided by tho Midland Bank which announced that it is setting up a new money market trading operation in Greenwell Montagu, its investment banking subsidiary, with the intention of eventually seeking official discount house status for it. This would then complement the gilts operation which Midland is also launching.

David Lascelles

Financial Advisers in UK Public Takeovers: Jan-June 1986

Financial Advisers	No. of Bids	No. of Defences	Total	Value £m
1. Morgan Grenfell	17	11	28	11,690
2. Kleinwort Benson	12	16	28	8,575
3. Hambros	9	6	15	7,087
4. Goldman Sachs	1	3	4	6,617
5. Robert Fleming	2	9	11	5,185
6. N. M. Rothschilds	8	2	10	3,487
7. Charterhouse Bank	6	8	14	3,406
8. Samuel Montago	5	1	6	3,309
9. Schroders	9	1	10	3,171
10. Noble Grossart	3	—	3	3,137
11. S. G. Warburg	6	8	14	1,457
12. Hill Samuel	10	10	20	1,045
13. Lazard Brothers	3	6	9	811
14. Barclays De Zoete Wedd	3	4	7	717
15. Baring Brothers	7	5	12	607
16. County	5	2	7	449

Source: Acquisitions Monthly

Listed by value of takeovers

Finance houses

New leasing business suffers

OVER THE last few years the finance houses have enjoyed e boom in their leasing ectivities. However, following the phasing out of capital allowances in April, they now face e period of considerable challenge as tax-based leasing becomes less dominant in the overall asset-based finance market.

Instead of the generous accelerated system which had been in operation for well over e decade, 100 per cent allowances were gradnally phased out over a two-year period. Tho process was completed on April 1 this year, when they were replaced by a 25 per cent writing-down allowance on purchases of new plant and machinery.

The full effects of the changes have already been felt as the volume of new leasing business underwritten by the finance bouses has fallen by 11 per cent between the first and second quarters of this year.

The sector of activity hit hardest by the tax changes has been the finance bouses' traditional leasing business—namely industrial plant and equipment. In the second quarter of this year, £198m of general plant and machinery was leased, compared with £225m in 1985, a drop of 12 per cent.

Tho fall in this sector can be explained partly by distortions in the level of activity before April. Many industrial and commercial companies accelerated their investment in the run-np to the withdrawal of first-year allowances, resulting in an exceptional performance for leasing in 1985.

Nevertheless, the finance houses who write ebout 70 per cent of reported lease business, are now saying that the demand for leasing, which in 1985 accounted for 20 per cent of all UK investment in plant and equipment, will be reduced, thus sharpening competition in a smaller market.

To adapt to the changing conditions in the lease market, the finance houses will have to expand their skills, both in leasing and in other areas. One option which has emerged is to place more emphasis on certain areas of the existing loase market, such as sales-aid lease programmes in partnership with suppliers.

This type of approach, in which the manufacturer provides the customer with a package deal, inclnding loase facilities, has been popular for some time in financing investments in office equipment and computers, telecommunications and n variety of other industrial and commercial plant for small and medium businesses.

Lombard North Central, which has a substantial involvement in the leasing of office equipment, has recently formed a joint venture with the Japanese leasing company Orient Leasing to expand their activities further in this area. The aim of the venture will be the development of sales-aid leasing for Japanese-manufactured office automation equipment.

The partnership is an interesting example, as it highlights two significant trends for the future of UK leasing. First, the office equipment leasing sector has undergone above-average growth in the last few years, and now commands a substantial slice (£1.3bn) of the overall loase market.

A second, and more long-term, trend is that the Japanese company is bringing to the UK its extensive experience of running sales-aid programmes in the non-tax based leasing environment of Japan. This type of expertise will become increasingly valuable as the primary attraction of leasing, as a method of low-cost finance gives way to the more traditional advantages of leasing, such as cash flow, structuring and flexibility.

Another distinct growth area, involving a variety of types of equipment and of the lessees, is that of operating leases, where the lessor retains an interest in the residual value of the leased equipment. Operating lease programmes, which can include service and maintenance, have played a major part in the expansion of computer and vehicle leasing.

The company car fleet market is an important segment for the finance houses, accounting for just over 18 per cent of their leasing business. Unlike other leased assets, vehicle leasing has not been affected by the latest change in capital allowances since first year allowances on cars were ended back in 1980. In the period April-June 1986, private and commercial vehicle leasing rose by 26 per cent.

The other alternative, for some finance houses, is to turn their attention instead to the flourishing consumer credit market. Consumer lending expanded by 38 per cent to £1,605m in the second quarter of this year, accounting for nearly half of all new credit (£3,399m) extended by members of the Finance Houses Association.

Major leasing companies, such as North West Securities (which is behind the Marks and Spencer charge card) sees considerable scope for expansion in the retail business.

An indication of the future potential of the retail business is seen in the fact that the Finance Houses Association now counts four credit card companies—St Michael Financial Services, House of Fraser, Club 24 and Credit & Data Marketing Services—as members. The immediate result of these additional members is a doubling of the reported volume of retail business in the last quarter alone.

Karen Floersch

Merchant banks

Two good years, now the crunch

NEVER IN their long history have the British merchant banks faced such a challenge as they do now. The business that they had shared between them is now being fought for by others. Not only the UK clearing banks, which have established merchant banking subsidiaries, but also foreign-owned investment banks are trying to get involved.

At the same time, the merchant banks' need for more capital to compete with these larger and richer newcomers has made it difficult for those that are still private to remain so. The bigger banks are raising capital through the markets—such as Morgan Grenfell's flotation this summer, and various banks' recourse to the floating rate note market. The smaller banks are often forging links with overseas groups by taking them in as shareholders.

The merchant banks are also fighting their way into new areas of business. From the traditional banking business through corporate finance and investment management, merchant banks are stretching out to securities trading, insurance broking, even estate agencies, in their search for new sources of profit.

At least the merchant banks have had a couple of excellent years before the crunch. The high level of corporate activity, mainly mergers and acquisitions work, but also new issues, has brought corporate finance fees rolling in. At the same time, and not unrelated, surging stock markets have given the investment management departments higher fees; while those banks which have moved into the securities business have made a lot of money too.

Merchant banks still dominate the corporate finance market, as the table of financial advisers in takeovers shows. But in fourth place, in the first half of 1986, is Goldman Sachs, one of the aggressive US investment banks that British bankers have come to fear. Goldman was involved in deals such as Woolworths' defence where no US interests were being served by its presence.

One of the features of takeovers today is the way that financial advisers are prepared to put their own capital behind bids by, for example, buying shares in the companies involved. Similarly, a trend towards leveraged buy-outs, such as the one proposed by the Australian group Elders for Allied-Lyons, requires the bidder's bank to assemble a syndicate of lenders. In that case Citicorp obliged, but the smaller UK banks might have found it more difficult.

Added to that, Bank of England rules on UK banks' ability to lend substantial proportions of their capital to one particular lender are tighter than for many foreign banks. That puts even more pressure on banks to raise capital. Morgan Grenfell's flotation brought in over £150m for the bank, but even that was not enough in the run up to Big Bang, and a further $200m of primary capital was found through a perpetual floating rate note issue. Others, such as Rothschilds and S. G. Warburg, have also made FRN issues.

Other banks have opened up their shares, or moved in that direction. Baring Brothers, still very private, changed from being a partnership to a company. Hambros coped with the departure of part of the family with a share restructuring. Brown Shipley now has Kredietbank as a 20 per cent shareholder, while half of Henry Ansbacher's shares are held by Groupe Bruxelles Lambert.

The merchant banks also need more capital for some of the newer ventures into which they have expanded. In the reshaping of the City, following the move from fixed to negotiated commissions and from single to dual capacity in the Stock Exchange, many of the banks are moving into the securities markets.

Most spectacular has been S. G. Warburg's alliance with Rowe & Pitman and Akroyd & Smithers to produce a major securities company, making markets in shares and becoming a primary dealer in the gilt-edged market. But many of the other banks have taken similar steps: Kleinwort Benson acquired Grieveson Grant; while Morgan Grenfell bought Pinchin Denny and Pember & Boyle; and Hill Samuel took Wood Mackenzie. Robert Fleming has set up its own market-making operation in equities.

Such operations require a great deal of capital, much more than the old jobbing system took. Some of the primary dealers in gilt-edged stocks are putting £25m, or even £50m, of capital into the business to enable them to take large positions in stocks. Such is the expected level of competition in this new market that some of this capital could quickly be lost.

Some of the larger banks are confident that they can compete with the far better capitalised US and Japanese firms, especially as those may regard London as only a portion of their business. Others are preferring to look for specialist niches where they can avoid a head-on collision with such powerful rivals.

Hambros Bank, for instance, has largely avoided the Big Bang, taking an interest only through a minority stake in stockbrokers Strauss Turnbull. While maintaining a range of merchant banking activities, Hambros has thrown itself wholeheartedly into the estate agency business through a series of acquisitions. It now has a majority stake in Hambros Countrywide, and hopes to use this retail network to sell other services to house buyers such as mortgages and insurance.

Kleinwort Benson has, through the building of a swaps team, developed a niche within its more traditional banking business. This team, which works on arranging the exchange of obligations between borrowers, is one of the leading players in this huge global market.

Throughout, there is an emphasis on making more profits from fee income than from margins made on traditional lending. As competition has toughened in commercial banking, as well as in the securities markets, the returns available have narrowed sharply. The wealth of corporate finance business enjoyed by the merchant banks in the last couple of years has pushed their share ratings higher.

But now stock market analysts have become concerned that, if takeover activity falls, merchant bank's profits will dwindle. As a result, the sector has performed badly of late. Fuller disclosure of profits might help, and it is e move some banks are considering although many are loath to give up the privilege of keeping part of their earnings secret.

Whatever the future brings, the merchant banks themselves are confident that they will be able to adapt and survive as they have over the years.

Maggie Urry

UK Banking 4

Foreign Banks

Leading players take the plunge

WITH LONDON'S Big Bang imminent, it is clear that the City is destined to play a leading role in the world-wlde market in securities and other financial instruments, as lt already doas in the field of international banking. And this developmant can only enhance further its ettractions to foreign banks es e base for their international activities.

Alreedy e number of the leading players have plunged into the new-style securitias markets, either huying estahlished stock market firms or building up their own in-house securities trading capacity. They include, for example, Chase Manhattan, Citicorp, Royal Bank of Canada, Security Pacific and Union Bank of Switrerland, all of which ecquired Stock Exchange companies; as well as powerful gronps such as Morgan Guaranty which have developed or bought their own talent.

Trading international securities, as one of three main legs in the global circuit, with New York end Tokyo, adds another element to London's draw for foreign henks. The City has a higger representation of foreign banks than any other centre (though New York has lately shown signs of catching np). And, in spite of the costs of running e London operation and efforts by other centres to pull in international banking husiness, it eppears likely to remain e dominant force.

The reasoas are well-known. First, London's posltion puts lt in e time zone conveniently overlapping with New York et one end of the day and the Middle and Far East et the other. Its *language is English*, the language of international banking. It has e supervisory regime which, although now in the process of heing reorganised both to deal with the results of the changas on the Stock Exchange and to npdate the banking legislation, is essentially sympathetic to innovation in the financial servicas sector end relatively informal. And lt has a pool of experianced (and, these days, expensive) talent, hoth in dealing in financial instruments and in prodncing new ideas in the growing menagerie of acronymic financing techniqnes such as Cats, Tigers and Stags.

The progress of the City's foreign banking community has been charted now for 20 years by The Banker. It has, during that period, grown substantially. In 1967, there were 114 foreign banks with direct representation of one kind or another. By last year, the total had increased to just short of 400. The operations of the foreign banks range from small representative offices, designed mainly as contact points and listening posts in a leading financial centre, up to substantial branch operations with staffs of over 1,000. In a number of cases they also include subsidiaries, functioning as investment banks and, in the new environmant, participating in *the securities markets*. They also include, for several US banks, their European headquarters.

The foreign banking community, moreover, has made e significant and growing impact on the domestic banking scene, and provides substantial competition for the UK-hased banks in trading and lending. Together, the foreign hanks and tha (mainly foreign-owned) London-based consortium hanks account for around a fifth of all lending by banks in Britain in sterling, and some 70 per cent of foreign currency edvances.

The pattern of development of *foreign banking* representation has changed over the years. There have been two main waves, when numhers of new entrents came ln. One was in the early 1970s, when the Eurocurrency markets were beginning their rapid growth and London was establishing lts position as the main centra for Eurotrading. Then, in the late 1970s, there was a further substantial increase in numbers.

More recently, growth has slowed down. Last year, indeed, there was for the first time a significant drop, with the numbers of foreign hanks directly represented down from 403 to 399 (in addition, another 64 banks were represented through interests in one or other of the 25 consortium banks and joint ventures listed in The Banker).

The decline reflected a number of departures, inclnding, most prominently, thet of Wells Fargo, the US West Coast hank, which had adopted e strategy of concentrating lts international business on lts Pacific Basin outlook. It also reflected a number of mergers, particularly among the regional banks in tha United States, where groupings are being formed in areas such as the south east capahle of challenging the strength of the big money centre banks like Citibank.

It ls, however, to be expected that the growth in numbers will slow down. There is a limit to the number of banks likely to aspire to be significant participants in the international banking markets; the majority are already established in London.

London's foreign banking community

Year	Directly represented*	Indirectly represented†	Total
1967	114	—	114
1968	135	—	135
1969	138	—	138
1970	163	—	163
1971	176	25	201
1972	215	28	243
1973	232	35	267
1974	264	72	336
1975	263	72	335
1976	265	78	343
1977	300	55	355
1978	313	69	382
1979	330	59	389
1980	353	50	403
1981	353	65	418
1982	379	70	449
1983	391	69	460
1984	403	67	470
1985	399	64	463

*Directly represented through a representative office, branch, or subsidiary.
†Other banks indirectly represented through a stake in a joint venture or consortium bank.

Source: The Banker

What has been happening more recently, however, is that banks which hed previously been predominantly domestic operations in their own countries have begun to develop international interests. They include specialised institutions—such as the agricultural banks Crédit Agricole of France and Norinchukin Bank of Jepan (both very large); smaller regional hanks and e number of countries inclnding, particularly, Jepan; and savings banks. In part, it is a reflection of the increasing breakdown of traditional barriers between different types of institution.

A preliminary run-through of this year's list looks like showing a renewed growth in the foreign banking representetion in London. There has been one "re-entry." Banqne Worms of France, wblch sold out of lts London operation after nationalisation, has bought back in through the ecquisition of the London hranch of American Netional Bank and Trust Co of Chicago (which earlier was bought by First Chicago, which has its own London operation). Wells Fargo bought Crocker Netional Bank, which had its own representation in London, from Midland Bank; the Crocker office has been closed.

Other newcomers in the past year include: Dia Erste Osterreichische Spar-Casse-Bank/First Austrian Bank; Andelsbanken Danebank, from Denmark; Société Internationale de Banque, from France; Gibraltar and Iberian Bank; Bank of Crete; Etrufin Reserco, e joint representative for eight Italian regional savings banks; two Jopanese banks, Hyogo Sogo and Nippon Trust end Banking; two from Saudi Arahia, Arab National Bank and Saudi British; and Banque Scandinavé en Suisse.

Michael Blanden

UK Fixed interest

A shake-up in gilts

OF ALL London's financial markets, it is the market in Government "gilt-edged" securities that will be the most profoundly affected by the deregulation of the Stock Exchange and the other changes associated with Big Bang.

The gilt-edged market is also the one in which banks, which include not only UK institutions but also several foreign, particularly US, players, will have the greatest involvement. In some respects, the character of the new market, modelled mainly on the US Treasury Bond market, will be moulded more by the banks who own nearly all the leading participants than by the stockbroking and jobbing firms that have traditionally dominated the market.

The key role the gilts market plays in UK monetary policy, the increasing securitisation of debt on a global scale, and the need for large injections of capital into the new-style dnal cepacity gilt dealers, have ensured a dominant role for the international banking community.

It is the Bank of England, rather than the Stock Exchange, that will have the greatest influence over the regulation of the market. Each of the 27 primary dealing/market-making firms in the newly-structured market has had to submit detailed plans of its operations and the capital at its disposal to the Bank of England. The Bank will monitor closely the risk exposure of each firm, and will require daily reports from each. With the Stock Exchange, it has also set op e Central Gilts Office, as a clearing house for transactions in gilts.

Nevertheless, the Bank has edopted e liberal ettitude towards potential entrants. Any institution that has met its stringent prudential requirements will be allowed to participate. As e result, the number of market makers and the amount of capital behind them when the new market begins on October 27 is generally assumed to be excessive. One approved market maker, the Union Discount Company, dropped out of the race in July, saying that the return it expected on its capital in the market was too low to justify its presence.

The two leading market makers in the old gilt-edged market, who between them accounted for abont 80 per cent of all trades, were Wedd Durlacher and Akroyd and Smithers. Those two firms bave now both joined with stockbroking firms to form part of a larger investment banking operation. Wedd Durlacber now forms part of Barclays deZoete Wedd, a subsidiary of Barclays bank, while Akroyd and Smithers have joined forces with the merchant bank S. G. Warhurg and two stockbrokers, Mullens, the Government's broker in the old market, and Rowe and Pitman, to become part of Mercury Securities.

Nearly all the other leading UK merchant and clearing hanks are also involved in the market. National Westminster Bank has built np a presence through its investment hanking subsidiary; Midland, through its acquisition of W. Greenwell, one of the two leading stockbroking firms in gilts; Lloyds Bank through a home-grown subsidiary. Morgan Grenfell, Kleinwort Benson, Baring Brothers and Hill Samnel are the other merchant banking representatives.

The US banks have seen the gilt-edged market as the most attractive way of estahlishing a foothold in London, because of their skills and experience in trading bonds, on which the new market will place e high premium. One of the leading US players, Bank of America, dropped out of the running in March, but largely as a result of its difficulties back home.

All the other US designated marketmakers have re-emphasised their commitment to the market. One, Merrill Lynch, which has bought the small gilt-edged johber, Giles and Cresswell, estahlished itself as the third leading marketmaker over the summer by carrying out a high proportion of deals outside the Stock Exchange and undercutting the prices of the Stock Exchange jobbers.

The other large US institotions that are to become primary dealers through their acquisition of UK stockbroking firms are Chasa Manhatten, Citicorp, Prudential-Bache Securities, Security Pacific and Shearson Lehman. In eddition, the Bankers Trust, Credit Suisse First Boston, the jointly-owned Swiss-US investment bank, Goldman Sachs, Morgan Guaranty and Salomon Brothers have all set np their own gilt subsidiaries.

Three other foreign banks, Union Bank of Switzerland, the Hongkong and Shanghai Bank and the Orion Royal Bank of Canada, will also be represented in the new gilts market through their London stockbroking subsidiaries.

There will also be other participants in the gilts market outside the ranks of the primary dealers. Capel-Cure Myers, the stockbroking firm owned by the Australian-based ANZ banking group, recently announced it would become an agency broker in gilts, charging commission without ever acting as principal. It has challenged the conventional wisdom that all large investors will deal directly with the 27 market makers on e "net" basis, allowing the market makers to be remunerated out of the bid-offer spread rather than out of commission.

The poor quality of the price information that will become available in the gilts is expected to help the traditional agency brokers who offer to seek out the best bargains. The Stock Exchange's screen-based price information system will quote only mid-market prices quoted by market makers without showing the spread. Only the recognised primary dealers will be granted access to the screens of the specialist inter-dealer brokers which will display the prices they are quoting to match bargains between the primary dealers.

The one major group of banks and financial institutions which will be obsent from the fray, at least in the first year, will be the Japanese. This is surprising in view of their size and control over the world's largest exports of savings, most of which has ended up in fixed-interest stock. The Jopanese already dominate the US Treasury Bond market, where they frequently take on to their books more than half the stock on offer, and they have established a similar lead in the London-based Eurobond market.

The main reason for their slowness in entering the gilts markets as primary dealers is trade friction, in particular the fear that the Bank of England and Treasury will not allow them to participate until UK firms are granted equal access to Tokyo's financial markets. As a result, their efforts have been focussed on developing relationships and joint ventures with UK broking firms. But, by next eutumn, the Bank of England expects a second round of entrants and several Japanese firms are likely to be among them.

To a large extent, many of the new entrants are likely to be taking the places of other participants that heve been forced to withdraw because of the intensity of the competition. The prospect of a continuing decline in Government debt as a proportion of GDP will exacerbate the pressures. Many City observers, inclnding several gilt-market participants, claim to foresee a blood-bath in which only a handful of participants survive and begin to make adeqnate returns on their capital.

The more sanguine view, shared by the Bank of England, is that, once dealing costs are slashed, turnover in the market is likely to increase, possibly as mnch as fourfold to bring it into line with the US Treasury Bond market. This should be sufficient to support eight to 10 primary dealers covering the entire market and taking large positions, with another 10 to 15 dealers developing specialist niches in terms of clientele and range of stocks.

The other element in the optimistic scenario is that the traditional dominance of gilts in the sterling fixed-interest debt market will decline. At present gilts acconnt for about 85 per cent of all trades, despite the persistent efforts and exhortations of the Bank of England over the last five years to encourage the revival of the flourishing UK corporate debt market. The gilt-edged primary dealers participeting in such a market would benefit from substantial economies of scale, in particular there would be increased opportunitiea for arbitrage and for laying off risks between the markets.

Clive Wolman

Building societies

Still evolving from the cartel

EVOLUTION, not revolution — snch is the unofficial motto of some of Britain's higgest huilding societies. It sums up the cantion with which, in the past, they have epproached innovation.

Yet in three months time — on January 1 — they will receive new legal powers to hroaden their activities way beyond their traditional roles as savings end home loans institotions. How individual societies meet this new challenge will depend very much on how well they have adjusted so far to fiercer competition and to the demands of new retail banking technology.

The 1986 Building Societies Act, which allows societies to diversify into financial services such as unsecured personal loans, insurance broking and estate agency, received royal assent only this summer.

Alreedy, the Netionwide Building Society, the UK's third largest, has annonnced plans to build by ecqnisition e network of 350 estate agency offices. The point here is that estate agencies are seen as ideal outlats to cross-sell e range of financial services to home-buyers, such as general insurance and conveyancing.

Other societies are keeping silent ebout their plans — notably the Halifax, although it has said that, on January 1, it will want to start offering in-house insurance broking and personal unsecured loans of np to £5000.

In turn, the Netional end Provincial, the sixth largest society, is to steer clear of huying estate agents, hot will offer money transmission services such as credit cards and cheqne books, and invesment services such as management of sale and purchase of stocks and shares, personal equity plans and unit trusts.

It would be wrong, however, to take these changes out of there historical context — in the gradnal emergence of building societies from their cartelised, heavily-regulated background in the 1970s.

That emergence was signposted by the setting-op of tha Spalding Committee in 1981, to consider recommendations for partial deregulotion of the industry. The committee was chaired by Mr John Spalding, chief executive since 1975 of the Helifax Building Society, the UK's largest.

In the experience of Mr Spalding and the Halifax, one cao cbart the bistory of bow societies got where they are — and the fectors that will determine what they will achieve in 1987.

Though it pioneered the building of big branch networks in the 1920s and 1930s, the Halifax arguably resembled a local anthority until the mid-1970s. It was, in Mr Spalding's own words, a "superb administrative machine" — skilled in the efficient management of mortgage lending end documents, and of savers' funds — but it was not known for marketing flair.

It has already, therefore, had to undergo e hig shift to become e marketing-oriented institotion — under pressure of three big factors which long-predated the 1986 Act.

In the cartel era, when the Building Societies Associetion still effectively determined the mortgage and savers' rates, competition was channelled into branch development — and into marketing and edvertising. The Woolwich Equitable, for instance, was the hest-known pioneer in television commercials.

Second, banks began to introdnce antomated toller machines in ebout 1976—forcing on the societies the recognition that they needed to adapt for marketing purposes the computer technology they had already developed for processing mortgages. Tha Halifax responded with tha five years of intense research work that produced its Cardcash ATM system, launched in 1984.

And, third, signs emerged—notehly in the Wilson Committee report of 1980—that the cartel was becoming increasingly unacceptable to public opinion because of the mortgage queues it produced. In any case, the threat of competition from the clearing banks was already weakening the recommended rate system, whicb finally disappeared entirely earlier this year.

How an individual society fares in 1987 will depend on how well it coped with these changes. Several questionmarks hang over each society. Has it found a new funding strategy to cushion it againsi increased volatility in the savings market—by, for instance, developing skill in tapping the wholesale money markets through Eurosecurities issues?

This is now essential for mony societies—since receipts for savers ere now highly vulnerable to small fluctuelions in the relative attractiveness of building society accounts, as against bank or National Savings products.

In July 1986, for instance, societies' net receipts plunged to £177m, a "disaster" according to Mr Derek Taylor, general manager (finance) at the Halifax. In turn, the intensified competition for retail deposits has squeezed the profit margin from mortgage lending—because building societies have indulged in leap-frogging interest rate wars for the attention of small savers.

This leads directly to the second big question-mark over each individual society. Has it generated higher profits, as well as fast asset growth? This is important, because of the need to finance fixed assets, such as the purchase of estate agency chains, or new computer systems required.

Yet societies have varied widely in their profits record. Two key factors have been the ability to produce high commission income from life offices writing mortgage-linked endowment policies, and to generate trading profits from skilled management of liquid funds held in a societies' gilts portfolio. Further, the control of management expenses is now crucial.

The biggest societies, for instance, have tended to use their names, their branch networks, and advertising to build their lending aggressively. Yet smaller societies—such as the London-based Guardian, or the Cheltenham and Gloucester, have achieved higher profits by streamlining staff, branch networks and management systems, acquired a 20 per cent share of building society lending and deposits.

The third big question-mark over individual societies is whether or not they have well-developed corporate planning strategies.

Some have instituted formal planning processes: the Halifax has even appointed Mr David Gilchrist specifically as its general manager for strategic planning, and built up substantial technological and economic research departments. But others—judging from the spate of failed mergers in the industry—seem to have bad difficulty setting and implementing long-term corporate objectives.

Nick Bunker

International banking

Selectivity, not size

BRITAIN'S BANKS have long had large international operations, mostly dating back to colonial times. But the character of this overseas business is undergoing a marked shift at the moment, reflecting the rapidly changing priorities of the world market.

Nothing exemplifies this more than the decision last February by the Midland Bank to sell Crocker National, the loss-plagued California bank which it bought only five years ago in what is still the largest international banking acquisition ever seen—over $1bn.

Altheugh the sale was prompted by the disastrous nature of the acquisition, it also reflects a broader retreat by bankers from the notion that huge branch networks are necessary in foreign countries. Lloyds Bank, for example, sold its California bank at the same time. Other UK banks have also become much more selective about where they place branches abroad, particularly in the retail market.

They have been forced to accept that the management and financial resources needed to make a success of these operations are extremely—often unacceptably—large: other countries work differently, local customers may not want to do business with e foreign bank, unfamiliarity breeds risks.

Barclays, which has needed several years to get its US operations in order, took another knock earlier this year when it lost over £20m on its Italian operations and was forced to cut its staff there by half. Banks bave also suffered losses in other markets like the Far East where the shipping and property industries have been badly hit, and the Middle East where the region is in recession.

All this has added to the disillusionment many bankers have been feeling about lending abroad, particularly in the wake of the Third World debt crisis. The need to make provisions against doubtful foreign loans has eaten heavily into profits in recent years, particularly at Lloyds Bank which is most heavily exposed to Latin America. But that, at least, has given thum e cushion against loss.

In the case of Standard Chartered and Barclays there has been the additional aggravation of South Africa where they have uncomfortably large operations. Both have taken steps in the last year or so to loosen their links with their South African affiliates in response to intensifying political pressures, and would probably wish eventually to pull out altogether if it could be done in a seemly and profitable way. Hill Samuel, the merchant banking group which also has close South African ties, is about to do something similar.

However, the retreat from conventional overseas banking is only half the story. Midland, significantly, held on to Crocker's US capital markets operations when it sold the bank, and has now concentrated that activity in New York where it intends to build up its foreign exchange and government securities business.

All of this falls broadly under the umbrella of investment banking which has replaced conventional banking as the major thrust of the UK banks' overseas expansion. Instead of marking their foreign advance by opening bank branches, they now rate it more in terms of the number of foreign capital markets, stock exchanges and securities businesses to which they have gained access.

All the clearers, for example, are aiming to become securities dealers in the US and Japanese markets (insofar as local regulations permit). Midland is also a recognised dealer in US government stock, and Lloyds has applied to be one too. In Japan, NatWest has been granted a securities licence, and the others will follow. Many of them have established investment banking operations in countries like Germany, Switzerland, Hong Kong and Australia as well.

This new direction reflects the desire of banks to be able to serve the widest financial needs of their top rate, multinational clients. It also stems from the current fashion for finance based on securities rather than loans.

The banks' growing involvement with securities markets has been marked, in addition, by their interest in having their own shares listed on foreign stock exchanges. Barclays has led the way here, becoming last month the first UK bank to have listings in the world's three major financial centres, New York, London and Tokyo. Other banks have indicated similar intentions, and NatWest is to sell £121m worth of shares to US investors.

The idea is to broaden the banks' investor base and promote their names in wider financial markets. But the moves also illustrate the manner in which banks are now competing across borders for equity investment, and having to match foreign banks in performance.

Although these new trends are getting most of the publicity, the traditional banking side still forms the bedrock of the clearers' overseas activities.

After a sticky start, for example, NatWest's US operations, which include a sizeable branch network in New York, are now making a healthy return, and NatWest has broken new ground in countries like Spain, where it bought a share in a local bank, and South Korea where it has opened a representative office.

Lloyds Bank's unsuccessful £1.3bn bid for Standard Chartered was also intended to develop solid basic banking services like trade finance and letters of credit, and give Lloyds a foothold in a wide number of new markets, notably in the Asia and Pacific region. Lloyds was particularly keen to be able to finance trade deals between non-UK partners, figuring that its own strength in Europe and Latin America would complement Standard's in the Pacific rim, including the US West Coast.

Even though that plan has been thwarted, Lloyds has merged its international arm, Lloyds Bank International, into the main body of the bank to redoce duplication, and create an integrated balance sheet which is more efficient for tax and funding purposes and enables the group as a wholo to make larger loans. The savings were said by Lloyds to have been a major factor behind the more than doubling of its foreign earnings in the first part of this year.

Clearly, UK banks are not retreating from the overseas markets as a whole. But times are changing—and getting rougher. The mounting challenge from Japanese banks is another worry, particularly if, es Sir Timothy Bevan the chairman of Barclays claims, they are "dumping" their services oo world markets.

But all the big clearers are conscious of the fact that world financial markets are becoming dominated by a few all-round institutions, and they want to be among them.

David Lascelles

UK clearing banks' international profits: £m pre-tax (Figures in parentheses are % of total profits).

	Half year 1986	Half year 1985	Full year 1985
Barclays	105 (24)	97 (24)	201 (24)
Lloyds	111 (33)	89 (34)	151 (27)
Midland	37 (19)	26 (17)	43 (13)
National Westminster	116 (24)	111 (31)	181 (23)

Retail banking

Escalating the war

"FINANCIAL insanity—that's what it is." So said the finance general manager of one of the UK's biggest building societies, in a reference to some of the retail banking deals now on offer in Britisb high streets.

Hn was alluding—albeit with o heavy dose of hyperbole—to tho high interest rates now being paid on somn societies' savers accounts. Rates, he pointed ont, which can now leave very little profit margin from mortgage lending.

His commnnt give a taste, however, of thn heady atmosphere of rapid innovation—sometimes very costly to the participants—as building societies and tha clearing banks strive to expand market-share in the retail savings and loans market. National Westminster, for instance, launched only last month Credit Zone, a new simplified overdraft facility allowing credit-worthy customers easier eccess to an overdraft up to o pre-arranged limit.

This is even before the impact of the TSB's £1.5bn flotation—which will leave it ample funds to spend oo expanding its branch network, acquiring estate agency chains and insurance brokers and thus pushing deeper into the life assurance, unit trust and mortgage markets where it has already made big inroads.

Insanity is, of course, far too strong a word for the speed of new high street banking developments. But the last 18 months have seen a sharp escalation in the war for retail money. The Big Four clearers in particular, one suspects, must now be wondering what more they can do to maintain and strengthen their position.

In the past year, for instance, the rest of the Big Four have sacrificed commission income, by obolishing charges on in-credit current accounts—following the path taken by Midland in December 1984. This move alone may be costing the Big Four £100m annualy, according to estimates prodoced by banking analysts at Quilter Goodison, the stockbroking firm.

An index of its damaging effects was that National Westminster, Lloyds and Barclays were initially so reluctant to copy Midland's move. They had to do so, observers argue, because of Midland's apparent big successes in picking up some 450,000 new current accounts in 1985.

Some other recent competitive moves have, however, been eminently sensible—because they could help restore some of the fee and commission income that has been lost. Lloyds, for instance, announced in mid-September that it was to offer a new Sharedeal stockbroking service for customers, charging fixed rate commissions, and allowing participants to open an instant eccess high-interest cheque account. It was following in the footsteps of Barclays and Midland.

Sucb moves underline the trend over the past year for tho clearers to stress the quality and breadth of their services, and to make e very clear pitcb towards the top end of the market—thn high net worth individual, or the young professional with strong earnings potential.

Here, a notable example was Lloyds asset management service, ianncbed earlier this year to offer a combined high interest chequing account and investment management service akin to services already offered by merchant banks to affluent individuals.

Most noticeable of all, bowever, was Barclays' launch this spring, amid heavy televisioo advertising, of its Customer Service Project. It includes hig investment in staff training to enable the detivery of personal services, sucb as stockbroking.

Closely involved in this will be Barclayshare. A retail broking operation, it shows the advantages banks can draw from their role in the Big Bang changes in London's capital markets, and from the broader movement towards wider share ownership.

It will be able to draw on the resources of Barclays de Zoete Wedd, Barclays' securities house, and offer customers investment advice and dealing services. In turn, it will be well-placed to offer administration of Personal Equity Plans in 1987.

Again, Barclays' customer service project will involve heavy spending on branch refurbishment—where the clearers have, in the past, perhaps fallen behind the building societies in projecting an attractive image to the public. Midland, for instance, is to spend £200m over the next three years on renovating 300 branches to adopt a lively, open-plan look adapted from successful high street retailers.

This kind of marketing effort is possible—and worthwhile—because of the big profits the clearers have been drawing from retail banking. NatWest, for instance, reported 1986 interim pre-tax profits op by 34 per cent to £482m—of which about 66 per cent came from UK domestic banking. Bnt much of this profit apparently depends on the continuation of high levels of borrowing from UK consumers—and here Sir Timothy Bevan, chairman of Barclays, bas already sounded a warning note.

Barclays, he said, in announcing the bank's half-yearly results this summer, had taken e strategic decision to exercise restraint in consumer iending, because of the danger of worsening debt experience.

The bank'a profits apparently suffered in consequence: UK lending was np 2 per cent, and group pre-tax profits were np just 8 per cent—way adrift of the 27-to-34 per cent increases reported by the other three big clearers.

Sir Timothy drew particular attention to the mortgage market, where he saw signs of an unwise relaxation of lending standards. Here, in fact, thn banks have been competing hard this year—but within limits.

This spring, for instance, Midland swiftly lent £600m in mortgages under its highly competitive Homeowner Plus scheme, which offered a ½ per cent reduction in interest rates for the mortgage's first year, plus money towards solicitors' fees. But this package was offered only for three months—suggesting a carefully planned strategy rather than a headlong rush for market share.

More to the point, Barclays' results appeared to demonstrate just how vulnerable banks' profits are to a slackening of consumer lending, whether through their own branches, or their finance house and credit card subsidiaries. Such a slackening could occur because of bad debt experiences—or a recognition by consumers of the very high current cost of bank credit.

Personal overdrafts, for instance, currently cost about three to five percentage points over the bank base rate; personal loans about seven to eight points over base rate, and credit cards 12 to 15 percentage points over base rates. If highly-geared consumers became as sensitive to the price of borrowing as they are to marginal variations in building society savers' rates, the retail banking market could face a further competitive shake-up.

Nick Bunker

Commercial paper

Caution at the top end

THE NEW market in sterling commercial paper has got off to a relatively slow start despite the fanfares that accompanied its launch in May. Although there is evidence of fairly strong demand among investors for sterling short-term money market instruments, there has beeo a relative dearth of good quality corporations willing to tap the market.

This is all in striking contrast to the rather overblown propaganda put oot by investment and merchant bankers when the market opened. This suggested that the development of o commercial paper market could radically transform the face of Britisb banking.

At a stroke n new borrowing opportunity had been created whicb would offer cheap finance to companies and wean them away from their traditional reliance on commercial bank overdraft facilities.

Commercial paper represents short-term oegotiable borrowing by companies that can be sold directly to investors in the money market, thus bypassing the banking system.

Yet companies, particularly those at the very top end of the UK credit spectrum, have beeo slow to eatch on. There are three main reasons for this:

- Many corporate treasurers remain to be convinced that tho cost savings of borrowing in the commercial paper market are worth thn effort.

Though it costs little to set np a programme, the actual running of it does require investment in managemeot time and expertise. Meanwhile there are cheap alternatives such as the well-established market in UK bankers acceptances.

- The legal framework for the market is very unclear and will remain so until the Financial Services Bill is passed.

This will incorporate an amandment allowing companies to sell paper direct out of the UK instead of taking the cumbersome route of setting op an offshore financing vehicle. At preseot it appears possible for direct selling to take place out of the UK, but only oo a very restrictive basis.

- The UK authorities have put fairly stringeot eligibility conditions on companies wishing to tap the market.

Unlike in the US, soverign and public sector entities may not borrow, borrowers must be listed on the London Stock Exchange and they must have net assets of at least £50m. Banks which have been large borrowers in tho US market may not raise funds in this way in the UK.

Many bankers believe that this approacb was dnliberately choseo by the Bank of England in order to ensure a relatively cautious opening to tho market. The expectation is that its strict rules oo eligibility will be relaxed eventually once the market has found its feet.

Meanwhile the Bank has been in a strong position to limit tbe flow of paper on to thn market because of the stranglohold it exercises over thn competing market in bankers' acceptances.

Because of its past policy of overfunding in the gilt-edged market thn Bank has built up a large stock of bankers acceptances, known in the jargoo as the hill mountain. These holdings have depressed the yields on bankers acceptances, making them a particularly attractive borrowing vchicle.

Now the overfunding policy has been changed, but the speed with which the hill mountain is unwound will affect the attractions to borrowers of the commercial paper market.

This is not to say that borrowers have shunned the market altogether. Trading opened in May in a blaze of publicity with Hawley Group, Redland and the US transport concern PHH Group all selling paper.

Since then there has been a fairly steady announcement of programmes by n range of corporations, mostly those in the services sector which are not allowed to raise money in the bill market because they do not engage in physical trade.

Now bankers are looking to the passage of the Financial Services Bill to give a further boost to tho market. Expectations of its potential have been scaled down somewhat since dealing started in May, but many believe that sterling commercial paper will in due course become an important addition to the range of financial services offered in the City.

The launch of a programme by one or more really blue chip companies would also help, they say, and this should only be a matter of time.

What is also clear is that sterling commercial paper is likely to remain a very competitive market. It is traditionally a high volume, low margin business and the giant US market sustains only about half a dozen really sizeable dealers.

That means that at least some of the houses now jockeying for market share in Loodoo are bound to end up disappointed.

Peter Montagnon

Small Businesses

Sharper eye kept on progress

SMALL BUSINESSES are big business for Britain's banks. They always have been. After all, most British businesses are small. There are about 1.5m of them—turning over less than £1.5m, and each has to have at least one bank account.

So, although the small business sector has assumed a higher profile as the Government has recognised it as one of the few sources of new jobs, its relations with the banks have in recent years been more about development than discovery.

This is probably more true of the two bigger banks, NatWest and Barclays, than of Lloyds and the Midland. They grew out of amalgamations of many smaller regional-based banks which were the main providers of working capital for local businesses, particularly in Britain's northern industrial heartland.

Both have more branches than their competitors, and most of these branches, especially outside the big city centres, have a history of local lending and a long-established network of social and professional contacts in their immediate markets. Inevitably, they have more small business customers, though their rivals can also point to regional pockets where, for similar historical reasons, they are strongest.

Mr Ron Farrar, who heads Barclays operations in Yorkshire and Humberside, believes that, in spite of the march of modern marketing and what appears to many small business owners to be an increasingly time-consuming demand by the bank for more and more financial information, the old face-to-face relationship between bank manager and small business customer remains the crux of their mutual success.

Why this should be so is summed up by Mr Andrew Lord, the head of NatWest's small business section in London: "Lending is a matter of judgment. We can't avoid that. The more hard information we have, the better. But at the end of the day, the best bank to have is one that knows you, knows your track-record and understands what you are trying to do."

That said, however, important changes have been taking place. It is easy to see why when the monies involved are taken into account.

The sums advanced have been getting much bigger in recent years. NatWest, for example, lends £50m a month under its business development loan scheme to an average of 3,500 customers.

Individuals and small companies have been going deeper and deeper into debt with the banks. This has created its own demand for better standards of management in small business, and a more professional and co-ordinated approach by the banks.

As a general rule, the banks provide the working capital for start-up and development, to the point where a business goes to the venture capital or stock markets to proceed further. Most businesses never take that plunge, so that long-term bank loans remain the driving force of their balance sheets. The banks' view of this has been growing increasingly longer-term as the 1980s have progressed.

It is now possible to borrow up to £250,000 from most banks, provided the bank involved is willing to take the risk, of course. The term of the loan may run to 20 years. There will probably be a choice between a fixed or variable rate of interest, with options to change between the two at set intervals. There may be an interest-free holiday—in exchange for a higher rate later on—for part of the period.

With sums like this involved, no bank manager is going to advance the money on a seat-of-the-pants basis. The customer will have to present a sound business plan and show that there are proper financial controls in place in the business.

A demand for the latter also points to another way in which banks have been developing in their relations with small businesses. Only a few years ago, most bank managers paid little attention to management accounts, relying on a customer's bank statement as a gauge of performance.

But the bank statement only reflects the business's cash book: it merely measures the daily ins and outs of cash, and does not relate sales to the cost of achieving them. As a means of analysing trends in key business ratios, or forecasting next year's performance, it is useless.

Now, the banks which are most active in the small business sector train their up-and-coming managers as never before in management accounting. Secondment of staff to enterprise agencies, where small businesses get free advice, has proved an eye-opener for many, making this a valuable tool for bank management development. All the banks participate.

Some banks are also reorganising their branch structures to concentrate expertise in particular branches. This puts small business experts into key positions, and small business customers will be increasingly directed towards them.

Barclays, for example, has set up an advisory service, providing specialised consultancy for small businesses. The banks may be demanding more professionalism from their customers, but they themselves have, in turn, become much more professional too.

The one danger in all of this, however, is that the banks will play it too safe by not lending money to the riskier ventures that may nevertheless become high fliers if nurtured through their early days. This is where the Government's loan guarantee scheme (LGS) comes in.

The LGS, which is also supposed to help people who have insufficient collateral for a loan, has been revamped this year. The Government has been trying to re-launch it—although its promotional literature is only now being printed, five months after the scheme's new rules became operational on May 1.

Under the LGS, the Government guarantees 70 per cent of the loans (it was originally 80 per cent) to risky new ventures, but a premium is charged to deter carefree borrowing. The premium was originally 3 per cent above commercial rate. This was raised to 5 per cent, but has now been dropped to 2.5 per cent.

The Government now wants numbers of approvals under the scheme to rise to 400 a month as soon as possible. This was the peak reached three years ago when the Treasury insisted on changing the rules because of the losses it was causing the Government. Then, the rate of take-up dropped to 45 a month.

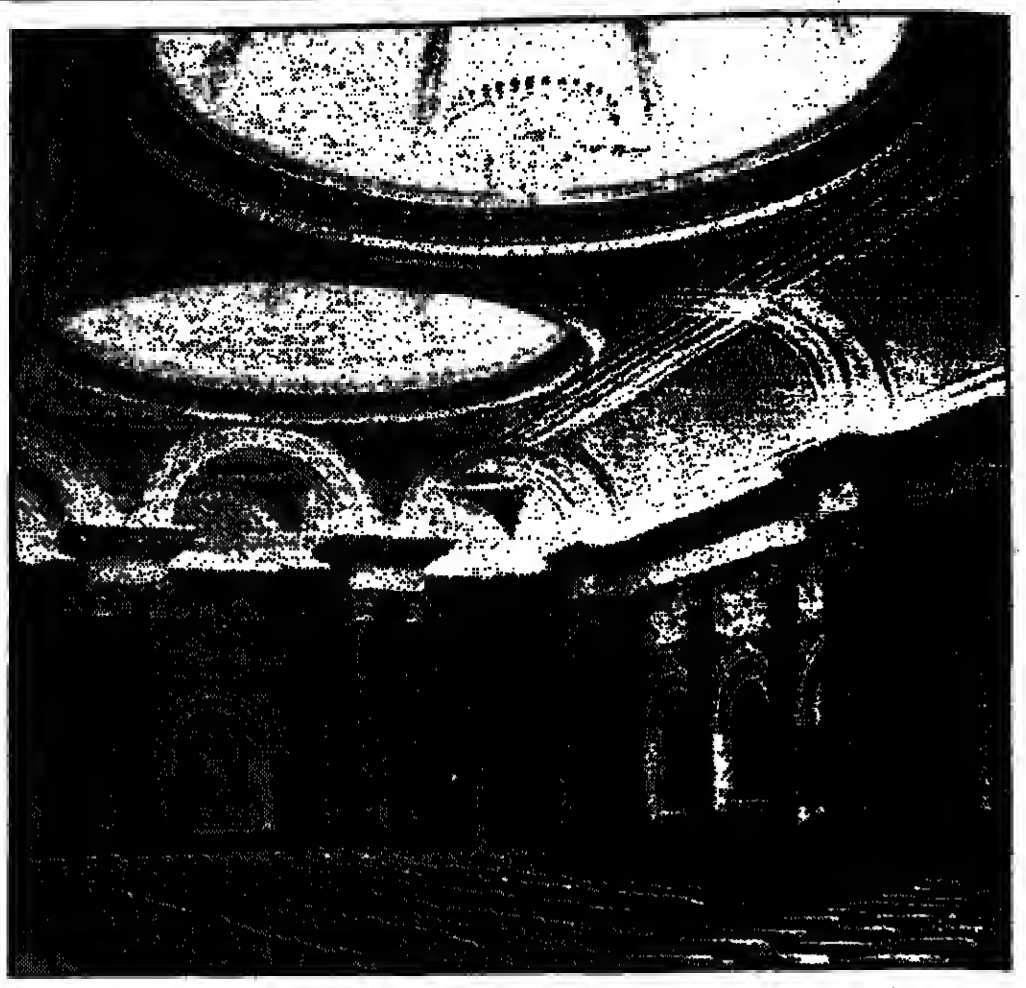
So far, 424 loan guarantees worth £16.1m have been approved under the new rules. Half have been to new businesses, and half have gone to financing expansions. This represents a rate of about 100 a month without serious promotion of the scheme.

The total of all monies advanced under the scheme now stands at £556m in more than 17,000 guarantees. Net losses borne by the Government had topped £100m by the end of July.

But to put this into context, NatWest alone has more than £1.5bn out with small businesses under just one of its own loan schemes. None of this is guaranteed by anything other than normal types of collateral—such as business and personal assets—and the sweat of the borrowers' brows. This illustrates and underlines the commitment of the banks to the small business sector.

It is unlikely to diminish. Indeed, the supporting services offered will almost certainly become more sophisticated as the banks get to understand the needs of their small business customers better.

Ian Hamilton Fazey



National Westminster Hall, in Bishopsgate, once a banking hall, is now a conference centre. NatWest lends £50m a month under its business development loan scheme.

Export Finance

Fresh look at costs

FOR Most of the year, the City's export finance managers have been preoccupied as much with a single domestic issue as with the state of their overseas borrowers' creditworthiness—or lack of it.

That issue is the Government's review of fixed-rate export finance, the longer-term lending supported by the Export Credits Guarantee Department to help overseas sales of capital goods.

Negotiations between the banks, the ECGD and Treasury, with the Bank of England in the chair, dragged on fitfully through the summer, breaking up into a series of meetings with individual banks. Further round-table discussions were imminent at the time of writing.

Meanwhile, exporters themselves, have become increasingly alarmed by Treasury proposals for cutting the cost of government support for fixed-rate export lending.

After the CBI protest earlier this year, that businessmen were being left out of the discussions, a senior ECGD official, Mr Fred Chapman, has been attending meetings of the CBI's export credits committee.

Last month, Mr Don Holland, chairman of the committee, wrote to Mr Alan Clark, the Trade Minister, to say that, if the Government were to pass on to banks some of the costs of arranging finance, exporters would end up having to pay in the end. That, the CBI argues, would further damage export prospects at an already difficult time in world markets.

The Treasury's initial proposals, for a large reduction in the margins paid to the banks and for greater use of the cheaper capital markets, were greeted with cries of dismay by many of the bigger banks. Since then, bankers believe, the Treasury has come to accept their argument that the costs of arranging this type of finance are greater than might appear—not least because so few of the big-contract negotiations they embark on these days result eventually in a sale.

Because of this, and because of the increasing complexity of the subsequent discussions, much of the heat appears to have been taken out of the confrontation.

At first the Treasury emphasised the need to reduce margins to reflect the falling cost of money. It suggested that margins on sterling loans could come down from $\frac{5}{8}$ or 1 per cent to $\frac{1}{4}$ per cent over London Interbank Offered Rate (Libor). The margin on foreign currency loans should drop to $\frac{1}{16}$ from the present $\frac{3}{8}$ to $\frac{7}{8}$ per cent over Libor, it said.

But gradually the focus of the negotiations has shifted from the margins themselves to ways of refinancing trade loans through the capital markets. Most recently, the Treasury is said to have proposed that, at some point during the life of the loan, the ECGD or another institution would "buy out" the funding bank and refinance the loan on the capital markets, paying the bank some margin to compensate it for costs incurred up to that date. This proposal looks similar in intent to ideas already tested, and eventually rejected, for establishing a separate export bank owned by the big lenders but backed by the ECGD to raise money at very fine rates.

The Treasury has, meanwhile, modified its margins proposal with a reported move to pay according to the size of the export credit. There would be three categories of loan, with smaller deals probably carrying a bigger margin than larger ones.

Bankers remain adamant, however, that their export finance business is not showing enough profit at the moment to allow them to shoulder a greater burden, even if some have always accepted that a review of margins was overdue. They say that either export finance departments will be further reduced, or customers will have to pay more for work the banks put into contract negotiations, whether or not those negotiations are ultimately successful.

To the Government, a review of the public cost of supporting fixed-rate export financing certainly must have seemed long overdue, given the rapid development of cheaper alternative sources of longer term credit. Unfortunately for the Treasury, however, the review has come at a time when the banks, as well as the exporting community, are struggling to maintain a presence in increasingly difficult overseas markets for this end of the business.

Christian Tyler

Venture Capital

Buy-outs bring benefits

ONE OF the few consistent features of Britain's volatile and ever-changing venture capital industry has been the growing involvement of banks.

Subsidiaries of merchant banks and clearers last year provided just short of a quarter of the £326m invested by specialist risk capital institutions, up from nearly 20 per cent of the 1984 total, according to Venture Economics, the US-owned research consultancy. That means they represent the most powerful force in venture capital after the independent groups which have traditionally represented the mainstay of the business.

There is no doubt that banks' contribution to risk investment is set to grow further. Not that their arrival is entirely new. After all, Charterhouse Development, part of Charterhouse merchant bank, became Britain's first venture capital group at its foundation in 1934, while 3i, owned by the top clearers and the Bank of England, has been making unquoted investments for more than 40 years.

However, the explosion in the availability of venture capital in recent years, and in the demand for it, has highlighted more than ever the potential rewards for banks that are able to manage small business investments.

An involvement in venture capital has been seen by several banks as a logical way to squeeze more out of existing resources. The clearers, in particular, have been attracted by the opportunity to use venture capital as a way to add value to their extensive branch networks.

All of the top four clearers have set up venture capital offshoots since the turn of the decade, either as direct subsidiaries—like Midland—or as part of their merchant banking offshoots, as in the cases of Barclays, Lloyds and National Westminster.

Moreover, according to Venture Economics, 12 of the 16 London Accepting Houses are "major players" in venture capital as investors, fund raisers, or fund managers. Their prestige and the £43bn worth of pension fund investments, for which they act as advisers, has enabled them to move into the industry fast.

The most important reason for the jump in their dominance over the past year is that the character of venture capital is being changed by the increasing popularity of management buy-outs, so that bank finance is getting more important to more deals. Management takeovers worth £930m took place last year, more than three times the 1984 total of £255m, according to a recent study by the University of Nottingham's Centre for Management Buy-Out Research.

Ironically, the buy-out craze has been triggered by something which has very little to do with venture capital; a growing trend among big companies to restructure and shed peripheral activities in favour of a more focused approach to core businesses. So it is that the typical large buy-outs of the past year have tended to include cash-generative businesses in fairly mature industries—like Lawson Mardon, in packaging, or Parker Pen—a far cry from the racy young start-up popularly associated with risk investment.

Of course, buy-outs are made possible by management teams' ability to borrow against the assets of the business they want to purchase. Accordingly, debt is usually a much bigger component of such deals (debt equity ratios of three-to-one are not unusual) than venture capitalists' traditional stock in trade, equity finance.

Buy-outs have temporarily overshadowed, but not diminished, another reason why banks have moved into venture capital. Some involvement in small businesses—whether as an investor or just financial adviser—can be a way of forming links with the big corporate fee-earners of tomorrow. This argument has been reinforced by the success of the six-year-old Unlisted Securities Market in providing a relatively cheap and flexible way for unquoted investors to realise their profits.

USM candidates do not have to hire a merchant bank sponsor so long as they have a stockbroker, yet banks account for five out of the top 10 junior market flotation sponsors. Leading the merchant bank league is County, with 17 new issues to its name, followed by Hambros with 15, and Samuel Montagu with 13, according to accountants Peat Marwick.

How long venture capital will remain attractive to banks is another matter. Britain's risk investment business has yet to prove whether it can survive a sharp downturn in the market for new issues. Flotation sponsors were already warning at the time of writing that the harsh competitive environment after the Big Bang might force them—at least for a while— to take a much more critical view of which new issues are likely to be profitable to handle.

William Dawkins

Technology

The decisions get harder

THE TECHNOLOGICAL decisions that the UK banking community has faced, and is facing, in the middle part of this decade are profound and far-reaching. They will determine to a large extent the way in which financial transactions, both retail and wholesale, are carried out in the UK until well into the next century.

The most important decisions are:

- The structure and implementation of a national electronic funds transfer at the point of sale (eftpos) system;
- The integration of computer-based customer information into single files, making it possible to create financial profiles of individual customers; and
- The creation of effective dealing and settlement facilities, to make the most of the opportunities offered by deregulation in the securities marketplace.

First, eftpos. Over the past few months, the leading UK banks have been mulling over details of a "cashless shopping" system designed by EFT-POS, a development organisation set up by the London and Scottish clearing banks with the express purpose of putting a prototype in place by April 1988.

It seems it may well be weeks, or months, before they are able to formulate a joint decision, by which time the 1988 deadline will seem increasingly difficult to achieve.

The present hesitation is simply the latest in a long series of delays and reviews thet have plagued the history nf eftpos in the UK.

In principle, the advantages of cashless shopping—speed, convenience, an end to paper—ought to have been seen by the banks, the retailers and the public as being so attractive that progress towards a national system was smooth and unhindered. In practice, financial, political, competitive and technical considerations have led the leading protagonists for such a system to wnnder if a general agreement can ever be reached.

Cashless shopping turns on the notion of the "dehit" card, exactly analogous to the service card now used to draw money from antomated cash dispensers. The "point of sale" would be equipped with a special terminal, able to read information written magnetically on the debit card.

It would also be able to communicate, over the telephone lines, with the card issuers' computer centre. A customer who intended to pay for goods using the card would present it to the cashier for "swiping" through the terminal. The customer would also key in a personal four-digit number, in exactly the same way as when drawing cash from a dispenser.

Electronic messages would then pass from terminal to computer, checking that the personal identification number matched the card, that the card was valid and not nn a list of stolen or lost cards, and that the transaction was within an agreed limit.

If all proved satisfactory, the transaction would be given the go-ahead and further messages would be transmitted to the customer's bank, instantly debiting his or her account with the amount of the transaction, and concurrently crediting the retailers' account with the equivalent amount.

There are enough problems of detail in such a system to keep the banks husy with their consultations for years.

Should the system operate only in "on-line" mode, for example, where every transaction is checked with the main computer centre? Or should it operate in "off-line" mode also, where the terminal does not communicate with the mainframe but simply keeps an electronic record of the transaction?

Alternatively, should there be a lower limit, say £20, below which the banks would guarantee payment without electronic checks, in the same way that they guarantee cheques presented with e cheqna card?

Add to these thorny, but not insuperable, difficulties the question of credit cards, and the reasons for the delay become clearer.

Eftpos was conceived originally as a dehit system — the instantaneous electronic movement of cash from customer to retailer, without the costly and time-consuming paper trail that accompanies the clearing of cheques.

For the banks, however, credit is a booming business; and it became apparent earlier this year thet they would see greater benefits in an electronic credit-card system than in a dehit-card system.

All the major banks are experimenting with eftpos systems on a small scale, but have agreed to discontinne them if and when a national scheme is introdnced.

Decisions about the merging of customer files are just as significant to the banks' marketing efforts, but the problem has a much greater technological content. To a large extent, the banks are captives of their technological past. They were among the first organisations to build massive databases of customer information and, inevitably, these grew up in a piecemeal fashion.

Ideally, the banks would like all the information about their private and corporate customers stored in such a way that they can draw up a financial profile of each one, in order to help their marketing efforts.

In practice, the information is stored on many different files under many different conventions. Converting all the various files into one master datahase is likely to keep bank management services departments busy for years to come.

Integration of customer files is, however, seen as critical to the development of a competitive edge. UK banks are well eware that their US customers are already some way down the road towards such integration, and that they cannot afford to be left behind.

The threat of competition from overseas is similarly creating a trend towards very sophisticated technological systems, to handle the equities market in the wake of Big Bang later this month.

Such developments have two essential phases. First, the development of the technology necessary to handle information transmitted from the Stock Exchange, and to meet its reporting and settlement requirements. Second, the development of in-house information handling and position-keeping systems.

The main technological development now expected in dealing rooms is the move from the distribution of market information through a video-switch to distribution of the information digitally—that is, in computer language.

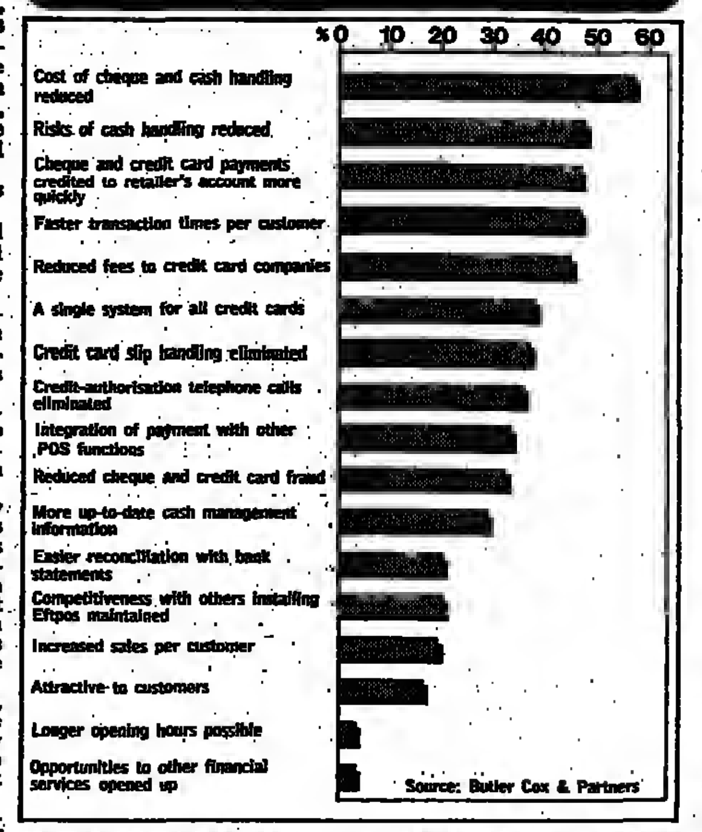
Video-switching is effective and resilient, but digital switching is aasier to install, makes full colour possible, and allows information to be processed more easily.

So the management services director who is charged with setting np an effective dealing room has had some stiff decisions to make over the past few years.

So rapidly is the technology changing, that these decisions will all have to be made again in two or three years' time. City salaries may be inflated, but the technologists earn every penny they are paid.

Alan Cane

Benefits expected from Eftpos by retailers



Source: Butler Cox & Partners

Credit Cards

A delayed start for eftpos

CAUTIONARY TALES notwithstanding, consumer credit in the UK is a booming business. In the second quarter of 1986, total new credit rose 6 per cent—from £7.28bn in the first quarter, to £7.69bn on a non-seasonally adjusted basis.

Bank credit cards accounted for the bulk of new advances of consumer credit in June—some £2.5bn—a development that may have alarmed some analysts, but which undoubtedly warmed the hearts of most clearing banks.

Despite concern at the increased risk of default, which accompanies such growth in the pace of borrowing, banks are confident of a growing market for credit cards for both domestic and international use.

Barclaycard, in 1974 the first to offer its customers both a credit card and a cheque guarantee card, has come a long way. Since it joined the international Visa operation in 1977, it has become the largest Visa card issuer outside the US, with concomitant profits.

At the end of June, Barclaycard holders in the UK exceeded 8.3m, with turnover in the six-month period totalling £2,508m, an increase of 23 per cent on the year-ago period.

In its interim results this year Barclays included the figure for its Central Retail Services division (which includes Barclaycard) for the first time—pretax profit increased by £1m to £35m.

Barclaycard's chief executive, Mr Peter Ellwood, remains confident of further expansion, but is keenly aware of an increasingly competitive marketplace. In the past, Barclays has been strong on innovation. It was among the first, for example, to offer a "Premier" card to rival the American Express Gold card, offering preferential overdraft rates and high spending limits for higher income earners.

The £7,500 overdraft facility—also offered by other major banks—has recently been bettered by National Westminster's "Gold Plus" service, offering unsecured lending up to £10,000 at 2.5 per cent over the base rate. The NatWest Gold MasterCard can be used at over 4,800,000 outlets worldwide exhibiting MasterCard, Access and Eurocard symbols.

NatWest is Barclaycard's nearest challenger by the extent of its participation in the joint credit card company, Access. The Access scheme also includes Midland, Lloyds, Royal Bank of Scotland, Bank of Ireland and Northern & Ulster Banks.

Access also experienced a good year for credit. In the year ended June 30, turnover rose 25 per cent to £5,648m, and the number of cardholders reached 9.1m. The association between Access, MasterCard and Eurocard provides 8m retail outlets worldwide.

Against the might of the Barclaycard and Access systems in the UK, a newcomer has been thrusting aggressively forward with substantial success. Trustee Savings Bank—a name that has rapidly become familiar to many—launched its Trustcard in November 1978, and some 2.5m have now been issued.

Trustcard is linked to the Visa credit system, making it popular both at home and abroad. Its success points to the spread of credit card ownership more evenly across the country, and away from just the higher income brackets.

Banks have been propelled towards credit cards, both by the growing need to provide competitive financial services for the consumer and by the lure of large profits. Interest rates on cards such as Barclaycard and Access are typically some 10 points over base rates.

The competition involved in maintaining this lucrative position has been reflected in the increasing number of "perks" offered to the cardholders. These vary from free travel accident insurance, discounts on car rental and holidays and, as in the case of Trustcard, discounts on provide health insurance.

Other advantages of using credit cards have been presented by organisations offering discounts for annual payments made by direct debit on a card—the AA or the National Trust, for example.

Such offers may have tended to blur in the consumer's mind the distinction between using a credit card for convenience and using one as a means of extending one's income, ie, for borrowing.

Plastic cards are often used for convenience, whether they are "charge" cards, such as American Express or Diner's Club, which do not provide an extended period of repayment, or "credit" cards, which charge interest on transactions after a given period, but allow delayed repayment.

As the former cards involve an annual membership fee, many people are likely to opt for the latter which are, in most cases, free of charge (unless they are "gold" cards available to higher earners).

The danger for the consumer is the intended use of a credit card for convenience rather than extended credit, which dwindles into a means of borrowing. Payment by card—in petrol stations, for example—is often easier and quicker than writing a cheque.

But even payment by means of a plastic card in the UK is still, for the most part, a tiresome business, which can involve long delays waiting for authorisation of purchase from the card company.

An automated payments system which links your purchase at a retailer with your bank account, resulting in a direct debit after security checks, is already operating in much of the world.

The electronic funds transfer at point of sale (eftpos) system operates in Australia, New Zealand, much of the Far East, the US, France, Spain and Portugal, with card details on a magnetic stripe on the back of the card. In some countries, such as Norway, the magnetic stripe has been replaced by a silicon chip which can hold more information.

In the UK, discussions on an eftpos system of cashless shopping have been plagued by delay, and may prove to be an important test of the banks' commitment to provide improved financial services at the cost of an initial dent in profits.

Capital expenditure for such a system is considerable, involving both the purchase and installation of computer terminals in retail outlets—and the expense of making each bank's computer communicate with the others.

Division of costs between banks and retailers is likely to be an issue, but at present the target date for the first machines to be in place and operational for a nationwide system is 1988.

While talks on the national system go on, individual banks have conducted their own eftpos experiments. Clydesdale Bank, subsidiary of Midland, led the field until recently with its Counterplus scheme operating at BP garages in parts of Scotland since 1982.

Early this year, Barclays launched an eftpos experiment known as Darts (Data capture and authorisation retail transaction service) at Brent Cross shopping mall outside London, which included C & A and Heathrow's Terminal 4 as its participants.

Despite the launch of these experiments, enthusiasm remains low-key. Yet Lloyds plans to launch its Cardpoint experiment in Peterborough early next year, with retailers paying for the installation and operation of terminals. Lloyds has gained agreement with Access for the acceptability of all Access cards at up to 75 terminals, and is still negotiating with Visa, Barclaycard, American Express and Diners Club for their participation.

While the banks continue to discuss the future of eftpos, there is always the possibility that some retailers will decide to go in for their own system. Marks and Spencer's hugely successful in-house credit card, for example, may wish to look to just such a step.

Failure to agree an eft/pos system on a national basis could be extremely frustrating for the consumer. As long as certain stores accept only cash or their own credit cards, the number of pieces of plastic will continue to multiply, as will the cost of theft.

For the banks, fraud does not seem to be a major deterrent to the credit card business. While they are reluctant to provide a breakdown of the costs of combating fraud against amounts recovered, according to Access and Barclaycard levels of fraud actually fell for the first time ever in 1985.

The consumer may be heartened by the fact that deregulation in the financial services market in the UK is likely to put pressure on the banks to do more than provide credit at a price.

From January 1, the building societies will be able to venture into new fields, including unsecured lending. While there are limits as to the extent of their participation, they are unlikely at present to be sitting idly by in anticipation.

Since October 1985, the Anglia Building Society has been operating a major eftpos experiment in Northampton with cards accepted at over 100 retail outlets in the town.

At the Halifax, the "Cardcash" interest-paying account, which pays bills free of charge and is run by a plastic card, is proving extremely successful, with 2m accounts expected by the end of the year.

Dina Thomson

Credit card turnover by type of purchase

	VISA %	Access %
Petrol	18	18
Other Motoring Expenses	5	4
Clothing and Footwear	13	13
Travel and Holidays	12	12
Electrical Goods and Cameras	11	11
DIY and Home Improvements	6	7
Furniture and Furnishings	7	9
Business Expenses	6	4
Food and Groceries	5	7
Entertainment and Leisure	4	4

Source: AGB Index 1985

Isle of Man

The message is getting across

THE ISLE of Man's deposit base grew by 13 per cent in the first half of 1986, and looks set to maintain the 26 per cent annual growth rate it has achieved during the last two years.

The actual figure on deposit on the island was £2.9bn at the end of June. This may be small by international offshore standards — Jersey's deposits have usually been up to ten times bigger — but, given continuing growth, the figure will have gone through both the £2bn and £3bn marks in less than 22 months.

Isle of Man banks would therefore appear to be thriving, which suggests that the campaign by the island's government to develop financial services as the principal plank of the local economy is working. Indeed, the picture may be about to get even better for, according to Mr Jim Noakes: "Things have gone pretty quiet during the run-up to the Big Bang."

There are two principal reasons why confidence is growing in the Isle of Man as an offshore centre. One is that the island undoubtedly has a very good sales message with which to fight the offshore competition; but the other includes Mr Noakes himself, though he is also part of the sales message.

A former Bank of England official, he is the island's banking inspector. He has a counterpart in the insurance sector, Mr Duncan Nail, who used to arrange large-scale insurance in the chemical industry.

They are backed up by a permanent commission headed by Mr Mark Solly, an expert on the island's taxation and commercial laws, and whose books on these subjects are standard works. The inspectors and the commission have real teeth: when the Isle of Man boasts that it has inspection machinery that makes its banks as safe as they can reasonably be expected to be, it is a fair one.

Why it needs to make such a boast is that the ghost of the Savings and Investment Bank — which collapsed in 1982 with £40m of depositors' money — still haunts the narrow and crowded thoroughfare of Athol Street, the heart of the financial centre in Douglas, the island's capital.

This collapse would probably not have happened with today's inspection standards. That it was able to happen at all, however, says much about *inspection standards prior to* 1982. That the machinery was set up very quickly after the collapse also suggests that there was a lot to be put right.

Litigation is in hand to lay the blame at the island government's door before a *statute* of limitation expires in 1988. Meanwhile, the official report on the SIB collapse remains unpublished — to many, the one black mark against government protestations that the island has now *definitely* got *its* act together on openness, inspection and control of all banking operations.

However, the growth of the deposit base speaks for itself. Who is behind this activity? Mr Noakes says: "It is the bigger banks which are attempting to increase their share of business. They are competing much more strongly than in the past."

The Isle of Man's main competitors are, of course, the Channel Islands. Promoters of the Isle of Man's attractions stress that no one on the island is "knocking" Jersey and Guernsey when they say it, but that a big part of the Isle of Man's sales message is a claim that their *main competitors are full* up.

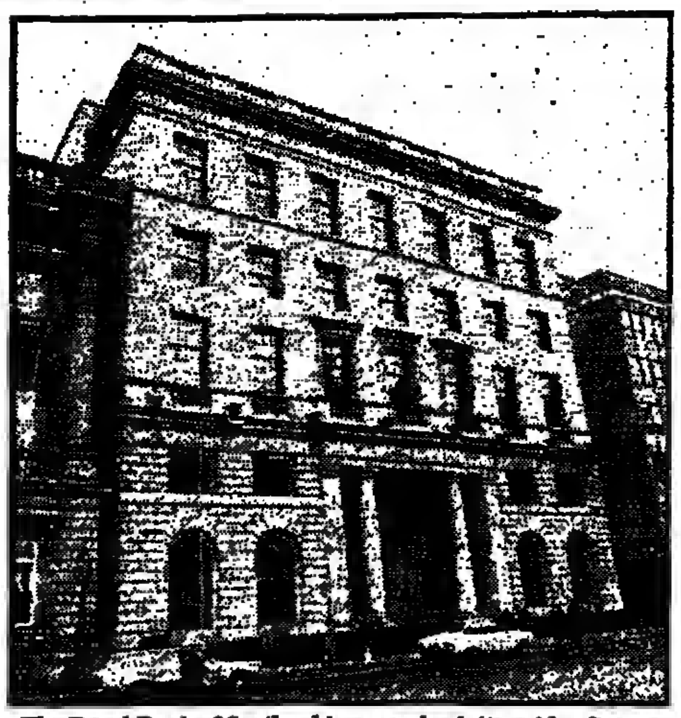
Relatively speaking, Jersey and Guernsey are high-cost centres now. Their financial services sectors are booming, and many able people have been attracted to operate them. Salaries are commensurately high, and local labour is generally expensive, so overheads are well up on Douglas levels. Moreover, there is little space left for development and difficulty in *obtaining* work permits.

"They are victims of their own success," says one of the Isle of Man's leading banking figures. "No matter what they say, there are capacity limits. Physically, the *Isle of Man is ten times their* size and, relatively speaking, empty."

The reason why it is empty — there are only 65,000 people in 221 square miles — is that, for decades, the island stuck to its traditional way of life and made little attempt to woo international business.

Only in recent years — as the old tourist industry has declined — has the need for economic planning and development become clear.

Ian Hamilton Fazey



The Royal Bank of Scotland has won back its pride after an unhappy start to the 1980s

Scotland

Action south of the border

SOME OF the most important events in Scottish banking are actually taking place in England. The two independent Scottish clearing banks, the Royal Bank of Scotland and the Bank of Scotland, are both trying to expand south of the border, and they are doing so in intriguingly different ways.

Scotland is, if not overbanked, at least somewhat short of new opportunities for retail banks. The Royal Bank, Bank of Scotland and the Clydesdale, which is wholly owned by the Midland, each have their own branches in every town and important village in the country. The Trustee Savings Bank, the bank whose origins are in Scotland, is chasing them as it moves increasingly into retail banking. With the Scottish economy not exactly booming, there is not much room for expansion at home.

Until the early 1970s the Scottish and English banks enjoyed a gentlemen's agreement that neither group should compete on the other's territory. That was then broken when the English banks, led by National Westminster and Barclays, began expanding north of the border.

"It was really a blessing in disguise as it meant that we could go into the English provinces," says Mr Bruce Pattullo, the treasurer and chief executive of Bank of Scotland. "The English market is of course much bigger than the Scottish." The question was how to do it.

The bigger of the two independent Scottish banks is the Royal Bank, whose assets in September 1985 were £15bn, compared with the £8bn of its competitor. The Royal Bank went through an unhappy time at the beginning of the 1980s, when its desire to merge with Standard Chartered was blocked by both nationalist pressure and by the Monopolies Commission, which also ruled out the rival bid from Hongkong and Shanghai. Since the Royal Bank's management had said that they saw no long term future for the bank on its own, their self-confidence was for a time shattered.

But the bank has since won back its pride and, in the words of one observer, "gone almost to the opposite extreme" in terms of self-esteem. The management of the Royal Bank group decided to merge its two subsidiaries, the Royal Bank itself and Williams and Glyn's, into one bank—the Royal Bank of Scotland.

The merger took place in September last year and the identity of Williams and Glyn's disappeared forever. The Royal Bank had gained overnight 330 branches in England to add to its 540 in Scotland. It hopes eventually to gain savings in senior management staffing, as well as the benefits of having a larger operation to which each bank has contributed some complementary areas of specialisation.

Observers of the banking scene say that the merger was a somewhat "messy" one, but that its benefits should soon emerge in the form of higher profits—in the financial year to September 1985 the bank made pre-tax profits of £166.3m. "The operational savings ought to be quite considerable, though there is no evidence of them yet," said one analyst.

In the meantime, the Royal Bank has, like its fellows in the south, prepared itself for big bang by buying the merchant bank Charterhouse Japhet for £161m. It has also bought a stockbroker, Tilneys of Liverpool.

Bank of Scotland did not have the benefit of owning a commercial bank in England, nor did it feel it could afford to establish a viable branch network there. "It would not be a liability, but the time at which it might become one may not be so far off," says Mr Pattullo.

Instead, it has developed a different sort of "delivery system," in Mr Pattullo's phrase. It has established nearly 10 regional offices to tap the English corporate market, and is approaching the personal sector market by means of a series of joint ventures—with the Automobile Association, for example, through which it markets Visa Card, budget accounts and personal loans; and with the Alliance Building Society for a combined chequebook-deposit account scheme called Alliance Banksave. It provides mortgages in the UK in association with the Scottish Life Assurance company.

"We've got a lot of pigeon holes and now we want to link them all up," says Mr Pattullo. The way the Bank of Scotland wants to do this is through the expansion of its home and office banking system, called HOBS. This is the first home electronic banking system which enables a private or business customer to make payments and transfers from his home or office via a television set plugged into the Prestel system. It is aimed particularly at small businesses such as lawyers, dentists, farmers and so on.

"I pay all my bills sitting in my chair at home on a Saturday evening," says Mr Pattullo. "It means, among other things, that the dog doesn't get a walk to the letter box."

Mr Pattullo is convinced that this will be the way in which everyone does his banking in five years time. But, so far, the Bank of Scotland's enterprise has not been emulated by any other clearing banks, though Midland and Barclays are said to be studying the idea. Bank of Scotland says that the customer acceptance rate for HOBS is satisfactory but does not quantify it. The beauty of the system from the Bank of Scotland's point of view is that it can pick up customers in, say, rural Norfolk, who may never have set eyes on a Bank of Scotland branch.

But innovation has its costs in terms of capital expenditure which analysts say may be affecting the bank's profits, which in the year to February 1986 amounted to £95.2m. Now the bank has to disprove the cruel saying: "Pioneers tend to get scalped."

The Bank of Scotland is also refusing to follow the herd in its approach to big bang. Mr Pattullo says: "I believe a lot of Big Bang will end up in tears in a bear market." His bank has not made a massive investment in merchant banks or stockbrokers. It shuns bigness for its own sake and prefers to make its way to its objectives on its own. It has, however, become one of the institutions that are to carry out lead underwriting for Cazenove, which is also proudly standing aloof from the conventional response to Big Bang.

James Buxton

Channel Islands

Keeping the young at home

BANKING HAS acquired an importance, and a prestige, in *Jersey and Guernsey* that could probably not be matched anywhere else in the British Isles outside the City of London.

Channel Islanders well know, since they are reminded every Budget day, that it is largely the contribution of the finance industry that is producing regular revenue surpluses, keeping down taxation, and paying for education, health care and other social services.

The openings for school-leavers in banking and allied fields have transformed the employment scene, and young islanders no longer have to face the prospect, as they did when the UK clearers were the only bank employers, of moving to the mainland to further their careers.

Virtually all the current office development in St Helier and St Peter Port is for banks and finance houses, while cultural and sporting associations looking for sponsorship now instinctively turn to the banks as the likely benefactors.

Apart from branches of the clearing banks, there are now nearly 55 licensed deposit-taking institutions operating in Jersey, and over 40 in Guernsey. They cover the whole spectrum of the banking world, from offshore finance subsidiaries of the clearers, British merchant banks and leading City discount houses, to subsidiaries and branches of major foreign banks.

Twelve US and four Canadian banks are established in the islands, and most European countries have at least one banking presence there. Australasia, India, South Africa and Hong Kong are also represented.

Swiss involvement, previously limited to Jersey's Bank Cantrade, has been widened with the arrival in Guernsey of Crédit Suisse and Rothschild Bank Switzerland—in the latter operating quite separately from N. M. Rothschild's Channel Islands subsidiary, which has been active in Guernsey since 1967.

In preparation for a separate local offer in November, to follow the main TSB Group flotation, TSB Channel Islands has been formed in Jersey with an authorised capital of £7.5m. Established in the early 19th century as distinct Guernsey and Jersey savings banks, and combined into a joint Channel Islands operation in 1975, TSB is now a major force both locally and in the offshore field.

Britain's Girobank, operating through the independently-run Jersey and Guernsey post offices, has expanded its services in the islands over the past year, and for the first time the Co-operative Bank is moving offshore with a branch in Guernsey. Now that the building societies can pay interest tax-free to expatriates, and are soon to be allowed to operate outside the UK, increased competition for Channel Islands bankers is also expected from that quarter.

One of the prices the Channel Islands are having to pay for their success as financial centres is the growing competition for staff, and the resulting impact on salary rates. The staff problem is aggravated by the housing laws in Jersey and Guernsey, which put restrictions on the occupation of houses or flats by non-islanders.

While the clearing banks treat their Channel Islands branches as part of their South of England networks, they pay staff moving there around 13 per cent to 14 per cent above mainland rates. This is partly in response to the unions' claim that, despite a 20 per cent rate of income tax, it is more expensive to live offshore; but it is also a recognition of the fact that many rival institutions are ready to snap up staff who feel they are being underpaid.

The levels of pay current in the finance industry are putting pressure on all sectors of the local economies, including public administration. Guernsey recently lost both its commercial relations adviser and its government treasurer to the private sector—just at a time when the island was in need of a strong supervisory team to see through a number of proposed new regulatory measures, including the setting-up of a Financial Services Commission. Guernsey's first banking supervisor, recruited at a salary of £29,500, resigned within 10 months, and his place has now been taken by John Roper, who was seconded from the Bank of England.

Meanwhile, bank deposits in Jersey, excluding those of the clearing banks and the TSB, totalled just over £21bn at the last count, of which some £14.5bn was in non-sterling currencies. Guernsey's end-1985 figure, inclusive of clearing bank deposits, was around £7.2bn.

In addition, it is estimated that upwards of £4bn is invested in offshore funds managed from the islands; and very substantial sums are also accounted for by the continually expanding trust business.

Edward Owen